

# Say 'Yes' to an FSA

Everyone is looking for ways to save. An FSA is one way you can.

## Here's how an FSA works:

You save money (up to hundreds of dollars) when you set money aside, before taxes, in a health care or dependent care flexible spending account (FSA).

1. Estimate your expenses for the year. Then decide how much money to set aside.
2. Next, enroll in the FSA when you enroll in your benefits.
3. When the benefit year starts, the money will be divided by each paycheck and will be set aside into your FSA before taxes are taken out.
4. When you have expenses, you can use the money in your FSA to reimburse yourself. Your FSA may also come with a Debit MasterCard®\* from UnitedHealthcare to make it easy to pay.

**You save money by reducing your taxable income. It's that simple.**

## FSA savings example

Grace can use her FSA to pay for her daughter's doctor visit and her son's eyeglasses and contact lenses. She decides to set aside \$2,000 in a health care FSA for the year.

Grace pays	Savings
28% in federal income tax	\$560
5% in state income tax	\$100
7.65% in Federal Insurance Contributions Act (FICA) tax	\$153
<b>Her total tax savings for the year</b>	<b>\$813</b>

For educational purposes only. Dollar amounts and savings may be different depending on income, state tax rules, city tax rules and other factors. Please consult a tax, legal or financial advisor about your own personal situation.

[www.welcometouhc.com](http://www.welcometouhc.com)

\*May not be available with your FSA



## Not sure how much to set aside?

Use the FSA Savings Calculator on [www.welcometouhc.com](http://www.welcometouhc.com) to help you decide. Click on "Tools and Resources" on the home page.



## Still have questions? Let us help.

### **“I’m afraid I’ll lose money if I don’t use all the money I set aside.”**

You might want to start small to find out how the account works. Most people are able to spend the money they set aside. Just remember, you must spend the money or you will lose it.

### **“I don’t want to have to file claims to get my money or take reimbursement checks to the bank.”**

You may receive the Debit MasterCard\* so paying is easy. You may also be able to sign up for direct deposit\* on myuhc.com so your FSA reimbursements are automatically deposited into your personal savings or checking account. You save time and paper, and reimbursements happen faster.

### **“It’s too much work to figure out what’s covered by my FSA and what’s not.”**

Many pharmacies and grocery stores can tell you at the cash register if you can use your FSA on certain products that are typically FSA eligible.

You can find a complete list of eligible medical expenses at [www.irs.gov](http://www.irs.gov). Please see your benefit information to find out what is covered for you.

### **“I’m fairly healthy, so I don’t have many out-of-pocket medical expenses.”**

Your health care FSA can also be used for hundreds of medical, dental and vision expenses. Some of them may even surprise you, such as laser eye surgery, stop smoking programs and acupuncture, just to name a few.

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\*May not be available with your FSA



## Use a health care FSA to pay for:

- Doctor’s office visits and procedures
- Eyeglasses and vision exams
- Dental treatments (X-rays, cleanings, fillings, etc.)
- Qualifying prescriptions
- **Beginning 2011:** Over-the-counter drugs and items only if prescribed by a doctor

## Use a dependent care FSA to pay for:

- Day care services for children under age 13
- Care for other qualifying dependents unable to take care of themselves
- Live-in help who care for a qualifying individual

This is not the complete list. You can view a complete list at [www.irs.gov](http://www.irs.gov).

**Note:** Your employer may limit coverage on certain eligible expenses, so it is important that you review your benefit information. And always remember to keep your receipts.

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# Important FSA Health Care Reform Update

2011 OTC change will apply to all FSA Plans

Starting Jan. 1, 2011, you will no longer be able to use your health care flexible spending account (FSA) to pay for over-the-counter (OTC) medications at a pharmacy, supermarket or other retail store without a prescription. This change is part of the Affordable Care Act passed in 2010.

Insulin, prescription medicines and some OTC supplies – such as bandages, crutches, blood sugar test kits and contact solution – will continue to be eligible, if your health care FSA plan allows.

## If I get a prescription for an OTC medicine, how do I use my FSA to pay for it?

▶ If you buy the medicine off the shelf you will need to submit an FSA claim form, copy of your receipt and your provider's prescription. The prescription must include:

- Your name
- Name of medicine
- Dosage and form
  - Quantity prescribed
  - Instructions
- Signature of the provider who wrote the prescription

▶ If you ask a pharmacist to fill the prescription you will need to submit an FSA claim form with your receipt. Ask for a receipt that includes:

- Prescription number
- Your name
- Date of purchase
- Dollar amount

See the back to learn more.

For the latest reform information, visit [www.healthcare.gov](http://www.healthcare.gov), the federal government website designed to help you understand the new law and how it will affect you.



 UnitedHealthcare®

Examples of OTC items that will **require a prescription** for FSA purchase or reimbursement as of Jan. 1, 2011:

- Acid controllers
- Acne medicine
- Aids for indigestion
- Allergy and sinus medicine
- Anti-diarrheal medicine
- Baby rash ointment
- Cold and flu medicine
- Eye drops
- Feminine anti-fungal or anti-itch products
- Hemorrhoid treatment
- Laxatives or stool softeners
- Lice treatments
- Motion sickness medicines
- Nasal sprays or drops
- Ointments for cuts, burns or rashes
- Pain relievers, such as aspirin or ibuprofen
- Sleep aids
- Stomach remedies

Examples of OTC items that may continue to be purchased with or reimbursed from an FSA **without a prescription**.\*

- Bandages
- Birth control
- Braces and supports
- Catheters
- Contact lens solution and supplies
- Crutches
- Denture cleaners and adhesives
- Diagnostic tests and monitors (such as blood glucose monitors)
- Elastic bandages and wraps
- First-aid supplies
- Insulin
- Ostomy products
- Reading glasses
- Walkers, wheelchairs and canes

\* Most major grocery, department, retail and drug stores will be able to identify at the cash register what supplies may still be purchased with an FSA debit card.



### How does this affect debit cards?

- ▶ You cannot use debit cards to pay for OTC medicines at pharmacies, supermarkets or other retail stores. OTC supplies may still be purchased with your debit card if your health FSA plan provides coverage for those items.
- ▶ If you want to be reimbursed from your FSA for OTC medicines, you must follow the instructions described on the front of this flyer.

### How does this affect grace periods?

- ▶ OTC medicines bought prior to Jan. 1, 2011 but submitted for reimbursement after Jan. 1, 2011 do not require a prescription to be considered for reimbursement under the plan.
- ▶ The new restriction on OTC medicines begins on Jan. 1, 2011 and will apply regardless of any grace periods that extend to, on or after Jan. 1, 2011.

#### For example:

Your plan has a grace period through March 15, 2011, so you can be reimbursed from your FSA for anything you bought up to that date. The grace period, however, doesn't apply to any OTC medicines you buy on or after Jan. 1, 2011, unless you have a prescription – even though the claim is for reimbursement from your remaining 2010 health care FSA account balance.

There will still be limits on the amount of OTC items you can be reimbursed for from your FSA. You will only be reimbursed for a reasonable quantity of an eligible OTC expense as determined by the plan administrator.

**Please remember to consider these new OTC rules when estimating the dollar amount to put in your FSA for the next plan year.**

#### For more information



- ▶ Visit [www.healthcare.gov](http://www.healthcare.gov), the federal government's health care reform website.
- ▶ Visit [www.irs.gov](http://www.irs.gov). The Internal Revenue Service (IRS) publishes information about FSAs and eligible expenses.
- ▶ Your employer may limit what items are eligible for FSA purchase or reimbursement. Check your official benefit plan information for details about your FSA.



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## Commonly Asked Debit Card Questions

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The benefits debit card can help automate the process of paying for eligible expenses. Participants can use the card at qualifying merchant locations wherever MasterCard® is accepted – from physician and dental offices, to pharmacies and vision service locations. The card allows flexible spending account (FSA) plan participants to directly pay for eligible expenses at the point of service. The advantage for the plan participant is:

- Immediate access to FSA account – avoid paying with cash or check;
- Reduces currently required paperwork – avoid filling out a claim form;
- Immediate payment of the expense – avoid waiting for a reimbursement check.

The ease of use at the point of sale and the cash flow advantage have proven to be extremely attractive to plan participants. Additionally, employers have experienced increased participation, as well as an increase in the dollar amounts deferred. The resulting tax savings can more than cover the card costs.

Below are answers to the most frequently asked questions involving the use of a debit card.

***Q: How does the benefit debit card work?***

A: The benefits debit card is accepted only at certain merchants whose card reader is set with an approved merchant category code. These codes are designated merchant codes; such as hospitals, doctor offices, vision care providers, and pharmacies. At the point of sale, the merchant swipes the card and the system screens the transaction to validate the type of merchant and that the participant has available funds to cover the transaction. If the items are not validated, the transaction will not be approved at the point of sale.

***Q: Is this process paperless?***

A: No. Although there is no requirement for employees to complete claim forms, documentation may be required in many cases in order to meet the IRS requirements to substantiate claims. Therefore, participants must keep copies of all receipts and itemized statements (not the credit card receipt) for each purchase. Employees will receive a letter or email requesting the necessary documentation.

***Q: How does UnitedHealthcare adjudicate the transaction?***

A: UnitedHealthcare has established review parameters within the system following IRS guidelines that require **all** claims to be reviewed. The parameters allow some claims to be automatically adjudicated without further documentation; other parameters will not allow the expense to be “auto-adjudicated.” For those transactions not auto-adjudicated, the transaction is placed in a pending status and a request sent to the participant asking for the documentation to substantiate the expense. Upon receipt of the appropriate documentation from the participant, the transaction can be approved. If the participant makes another purchase during the plan year for the same amount and at the same provider, UnitedHealthcare is not required to request further documentation.

***Q: What type of additional documentation is required?***

A: The documentation is the same information required for traditional paper claim forms. The participant is required to keep copies of all transaction receipts for each card purchase so that these can be provided upon request. This includes itemized cash register receipts that list the merchant name, name of the item/product, date and amount (for items such as hearing aid batteries, contact lens solutions or over-the-counter medicines/drugs), insurance plan Explanation of Benefit (EOB) statements, and itemized statements (for vision or other health care expenses). It does not include the credit card receipt since credit card receipts do not typically itemize the items or services purchased.

***Q: What happens if a participant does not reply to the request for documentation?***

A: In the event the participant fails to respond to the request, a second request is sent. If there is still no reply, the card is temporarily inactivated and the participant will be required to make reimbursement to the plan by personal check or by applying the amount to future paper claims.

***Q: What happens if the participant uses the card for ineligible or non-qualifying expenses?***

A: The participant will be asked to write a personal check back to the plan. If the participant fails to reimburse the plan, the card will be temporarily inactivated.