

Frequently Asked Questions about Flexible Spending Accounts (FSAs)

1. How can I benefit from enrolling in a Flexible Spending Account (FSA)?

An FSA lets you use pre-tax dollars for certain eligible medical and dependent daycare expenses. By setting aside money from each paycheck, you pay less in taxes and have money available when you need it to pay for covered services.

There are two types of FSAs:

Health Care FSA: used to reimburse out-of-pocket medical expenses incurred by you and your dependents

Dependent Care FSA: used to reimburse expenses related to care of eligible dependents while you and your spouse work

2. How can I determine if I will have enough out-of-pocket expenses to make a health care spending account worthwhile?

Even if you have medical, dental and/or vision benefits, you still may be responsible for expenses that are not covered by your plans, such as: copays/deductibles; eyeglasses; contact lenses; saline solution; certain over-the-counter drugs — e.g. allergy and cold medicines, antacids and pain relievers; chiropractic treatment; orthodontia and dental work. Your FSA works to fund these expenses on a tax-free basis. Our easy-to-use FSA Savings Calculator, available on myuhc.com, can show your projected tax savings based on the anticipated expenses you input.

3. Where can I find a list of eligible and ineligible expenses for reimbursement?

You can View Eligible/Ineligible Expenses for both health care and dependent care accounts on myuhc.com. Please note that your employer may have a customized list of eligible/ineligible expenses. Also, the IRS and/or your employer may modify the list of eligible expenses periodically. If you are unsure whether an expense is eligible or not, please contact customer service or refer to your employer's FSA plan document.

4. Are over-the-counter (OTC) drugs and items eligible for reimbursement?

Internal Revenue Service (IRS) regulations allow reimbursement of certain OTC drug expenses; however, check your employer's Summary Plan Description or check with your benefits representative. A list of examples of eligible and ineligible OTC items is available on myuhc.com.

5. How does contributing to an FSA reduce my taxes?

Contributions to your FSA come out of your paycheck **before** any taxes are taken out. This means that you don't pay federal income tax, Social Security taxes, and (in most cases) state and local income taxes on the portion of your paycheck you contribute to your FSA. Our easy-to-use FSA Savings Calculator, available on myuhc.com, can show your projected tax savings based on the anticipated expenses you input.

6. How much should I contribute?

You should contribute the amount of money you expect to pay out of pocket for eligible expenses for the plan period. Our FSA Savings Calculator, available on myuhc.com, can help you determine this amount.

You should consider:

- Last year's medical and/or dependent care expenses
- Any medical or dental care costs you foresee that might not be covered under your health care plans (e.g. deductibles, copayments, over-the-counter drugs)
- Any changes in your family status that might have an impact on your medical/dental or dependent care expenses

What works for you.®

Your employer can identify the maximum amount that can be contributed to your health care FSA. See your **FSA Plan Benefits Overview**. Your employer also can vary the maximum contribution to the dependent care FSA; however, the maximum contribution according to IRS rules is \$5,000 per calendar year for those who are married and filing jointly, head of household or single. The maximum for those who are married and filing separately is \$2,500.

7. How much will I really save on my health care expenses?

Depending on your individual income and tax filing status, you could save as much as 20-50 percent on eligible health care services by using an FSA.

8. Wouldn't I save more by just taking a deduction on my income tax?

According to the IRS, only medical and/or dental expenses that exceed 7.5 percent of your adjusted gross income can be deducted from your income taxes. Most people do not have expenses high enough to qualify for this deduction.

For work-related dependent care expenses, the tax credit amount is determined by applying a percentage to your total dependent care expenses. According to current tax structure, generally the tax credit is more beneficial than a dependent care spending account if your family income is under \$25,000.

Keep in mind that contributions for an FSA are taken out of your pay **before taxes are applied**, thus reducing your gross salary and your taxable income. Talk to your accountant or financial planner for assistance on your particular situation.

9. At the end of the year, if there's unused money in my FSA, do I get to keep it?

No. According to the IRS's "use it or lose it" rule, if you do not use all the money in your FSA for expenses incurred during the plan year, you will forfeit the unused balance. Your unused balance cannot be carried over into the next year. However, if you are like most FSA plan members, you will use all of the money in your account. And even if you leave some behind, your tax savings may outweigh the loss.

If you are unsure of how much to save, be conservative. The FSA Savings Calculator, available on myuhc.com, can help you decide just how much to set aside.

You can make the most of your FSA by carefully planning your yearly expenses and using myuhc.com to review your claims history, account balance and filing deadlines.

10. How do I submit a claim to get reimbursed from my FSA?

- a. Fill out a Flexible Spending Account (FSA) claim form, available on myuhc.com, through your employer or by calling Customer Service. All dependent care claims must be submitted via claim form. Submit FSA claim forms and supporting documentation (receipts) to:

UnitedHealthcare
P.O. Box 981178
El Paso, Texas 79998-1178
Fax: (915) 781-1085
- b. If you have both medical coverage and a health care FSA through UnitedHealthcare, your employer may offer auto-rollover and the ability to manage it online at myuhc.com. If so, you can elect this automatic claim filing process when you enroll, or choose it at any time on myuhc.com by clicking on the Flexible Spending Account link/tab. The FSA Auto-Rollover Election is located at the bottom of the FSA homepage. When you elect auto-rollover, claims for medical, pharmacy and dental copayments are automatically submitted for reimbursement, practically eliminating the need to submit manual claims for these types of services. Please check your plan documents to see if automatic rollover—and the ability to manage it online—is part of your benefit plan.

In either case, you can receive a reimbursement check, or—if your employer offers direct deposit—have funds deposited into the bank account of your choice. If your employer offers this option, you can enroll on myuhc.com, or contact your employer to do so.

11. Can I request FSA reimbursement for services I received before the plan year begins if I'm not billed until after the plan year starts?

According to IRS guidelines, a qualified expense is "incurred" at the time the service is provided, not when you are billed or when you actually pay for this service. Therefore, you can only file claims for eligible expenses incurred during the same plan year.

12. What happens if I submit a claim for an amount greater than what I have contributed to my FSA so far this year?

IRS regulations determine what happens in this case.

For Health Care Expenses:

When you submit an FSA claim for a health care expense, you will be reimbursed up to the full amount of your annual election, regardless of the amount of money that has been deposited into your account.

For Dependent Care Expenses:

If your dependent care FSA balance is less than the amount of your claim, you will only be reimbursed for the amount of money available in your account at that time. The remainder will be reimbursed once your future contributions are deposited into your dependent care FSA. This process lets you submit a claim only once and receive funding as it becomes available, rather than be denied payment and be forced to resubmit the claim until it can be paid in full.

13. Can I change my election or stop contributing money to my spending account at any time throughout the year?

Federal regulations state that once you have designated the contribution amount, you cannot change your decision throughout the year unless you have a valid life status change event. Your employer can provide you with a list of family status changes that allow you to alter your original account allotments.

14. Can I transfer money from my health care FSA to my dependent care FSA or vice versa?

The health and dependent care spending accounts are two separate benefit plans. Per IRS regulations, you cannot transfer money between the two accounts.

15. Can I continue participating in my FSA under COBRA?

Please refer to your Summary Plan Description regarding the rules of your plan.

16. Can I use a dependent care FSA for elder care?

You can use the spending account for eligible daycare expenses so that you (or you and your spouse) can work if:

- a. You are responsible for at least 50 percent of the support of an elderly parent or any person living with you who is physically or mentally incapable of self-care.
- b. This person is noted on your income tax statements as a legal dependent.

You also can use the dependent care spending account if the elder care is needed because you work and your spouse is a full-time student.

17. If I have someone caring for my children in my home instead of at a day care facility, do these expenses qualify for reimbursement from a dependent care FSA?

Yes. You can include wages paid to a babysitter in or outside your home if the services are necessary in order for you (or you and your spouse) to work. Expenses also will qualify for a dependent care FSA if you work and your spouse is a full-time student.

The services are not covered if the babysitter is someone you declare as a dependent.

