

---

---

## ***Interactive Medical Systems (IMS) Health Care & Dependent Care Reimbursement Accounts***

---

---

***Plan Year: January 1, 2009 to December 31, 2009***

***Health Care Reimbursement Plan Maximum: \$5,000.00***

***Health Care Reimbursement Plan Minimum: \$50.00***

***Run Off Period: 60 days following the end of the plan year to file for services rendered during the plan year***

***Waiting period: None***

### **WHAT IS AN FSA**

- A Flexible Spending Account (FSA) is a program that the Federal Government allows your employer to sponsor. It allows you (the employee) to save federal, state and social security taxes on the money you use to pay for eligible unreimbursed healthcare and daycare expenses, which will increase your take home pay. It is a widely used benefit that creates a “**Win - Win**” for employees and employers.
- A Valuable Benefit! If you choose to participate in this valuable program, you and your eligible dependents can “pay” for medical, dental, and vision expenses, and dependent daycare expenses on a tax-free basis.

### **HOW IT WORKS**

- At the time of enrollment, you must determine how much you would like to contribute to each account for the coming year. You may participate in the healthcare plan, the dependent day care plan or both.
- All monies that you put into the FSA will be deducted from your paycheck each pay period BEFORE taxes are calculated.
- Your spendable income increases because you contribute pretax dollars into the FSA plan. This lowers your taxable income; therefore you pay fewer taxes and increase your spendable income. Depending on your tax bracket, this plan can save you 30% to 40% on qualified, eligible expenses.

### **HEALTH CARE CLAIMS & REIMBURSEMENTS**

#### **Q: What are examples of eligible health care expenses?**

You can pay for a wide variety of health care expenses through your pre-tax FSA account. For a detailed listing, please see page 7, “Sample Expenses Eligible for Spending Account Reimbursements”.

#### **Q: Is the deductible on my major medical plan eligible for reimbursement?**

Yes, however, you must submit the Explanation of Benefits (EOB) statement from your healthcare plan which indicates when the deductible was met and verifies that expenses were incurred during the plan year. IMS cannot accept a statement that only indicates that the deductible has been met.

**Q: How do I file a claim for expenses that are covered by insurance?**

The claim must first be filed with the healthcare plan. After you receive an Explanation of Benefits statement indicating which expenses are eligible for payment and which are not, then submit a copy of the EOB with an FSA claim form to Interactive Medical Systems.

**Q: How do I file a claim for expenses not covered by insurance?**

If you are requesting reimbursement for expenses for which you do not have insurance coverage such as dental, vision, or hearing, simply submit a copy of the bill or receipt with an FSA claim form. The receipt should indicate the date of the services, the services provided, and charges.

**Q: What happens to the funds I set aside?**

If you participate in both the healthcare and dependent care FSAs, the funds you set aside are deposited into two separate accounts — one for out-of-pocket eligible health care expenses and one for dependent care expenses. The money allocated for your Health Care Spending Account is available for immediate reimbursement up to your annual election amount. Dependent Care Spending Account dollars are reimbursed as they accumulate in your account; simply submit the required documentation. You cannot transfer or “borrow” funds from one account to the other.

**Q: What happens if there is money left in my account at the end of the year and I have no more reimbursable expenses?**

Under IRS regulations, the money in your account will be forfeited and will be used to pay for administration costs of this Plan. This is known as the “use it or lose it” feature of an FSA. For this reason, you need to make conservative estimates of your reimbursable expenses prior to each plan year. You have a grace period at the end of each plan year in which to file claims for expenses incurred during the plan year.

*Note: An expense is “incurred” when the participant is provided with the medical care that gives rise to the medical expenses, or provided with the dependent care services and not when the participant is formally billed or charged for, or pays for, the medical care, or dependent care services.*

**Q: What happens if I leave my employment during the plan year and have money left in my account(s)?**

See your Human Resources Department for specifics regarding COBRA continuation of your Health Care FSA. The Dependent Care FSA is not eligible for COBRA continuation. If you choose not to participate in COBRA, any funds remaining in your Health Care FSA will be forfeited if you do not have sufficient eligible expenses incurred prior to termination.

**DEPENDENT CARE**

**Q: What are eligible dependent care expenses?**

This Plan follows IRS guidelines which allow you to use pre-tax dollars to pay for daycare services provided to your children under age 13, as well as for an incapacitated parent or spouse. You are eligible if you are a single working parent, you have a working spouse, your spouse is a full-time student for at least five

months during the plan year while you are working (refer to the IRS earned income limits for specific contribution levels), or your spouse or dependent parent is disabled and unable to provide for his or her own care.

Eligible expenses include services provided: (a) inside or outside of your home by anyone other than your spouse, one of your dependents, or one of your children under 19 years of age, (b) by a child care center, or (c) by a housekeeper whose services include dependent care. Day camps are eligible for reimbursement; however, overnight camps are not eligible.

**Q: Is it better to utilize the Dependent Care Flexible Spending Account or the federal income tax credit for dependent care expenses?**

Your individual circumstances and income will determine whether the federal, state (where eligible) and FICA tax savings under the Dependent Care Spending Account provide greater tax benefits than using the federal tax credit. Since individual tax situations vary, it is important for you to determine which approach offers the most favorable tax savings. Contributions to the Dependent Care Spending Account reduce your federal tax credit availability. As of January 1, 2003, you may combine the Dependent Care Spending Account with the federal tax credit amount for a maximum of \$3,000 for one dependent and \$6,000 for two or more dependents.

**Q: How much money can I set aside on a pre-tax basis for dependent care?**

You can set aside a maximum of \$5,000 per plan year (or the maximum contribution limit set by your employer) for dependent care expenses if you are a single parent or married and filing jointly; \$2,500 if you are married and filing separately. The legal maximum is also \$5,000 per calendar year in the event you have access to another FSA plan through your spouse or another employer. For the out-of-pocket Health Care Spending Account maximum, refer to your "Summary Plan Description" booklet.

**Q: Do I need to provide IMS with any documentation when I file a claim?**

Yes, if you participate in the dependent care account, you must provide IMS with the name(s) of your child(ren), the name and tax ID number of the daycare provider. This information is listed on the claim form which can be obtained from your employer or online at [www.ims-tpa.com](http://www.ims-tpa.com).

**A stipulation imposed by the IRS is that the service provider must be over 18 years of age, and cannot be an individual for whom a personal tax exemption is claimed.**

**GENERAL ACCOUNT INFORMATION**

**Q: How will I know the balance in my Flexible Spending Plan?**

Interactive Medical Systems will print your available balance on the Explanation of Benefits (EOB) attached to any reimbursements that you receive. You may also call the IMS Flex department at (919) 877-9933 or (800) 426-8739 to check your outstanding balances.

**Q: If I participate in the Plan, will I reduce my Social Security benefits when I retire?**

Since your taxable income will be reduced, your FICA contribution for Social Security could also be slightly reduced. Usually the effect will not be great over the lifetime of your covered earnings. Check with your local Social Security office for possible impacts based upon your particular situation.

**Q: Can I change my elections in the Section 125 plan at anytime during the plan year?**

No. You cannot change your elections during the plan year, except in the event of specified status changes. The following events are considered eligible status changes; however, your election change must be consistent with the status event:

*Legal marital status; Number of dependents; Employment status; Dependent satisfies or ceases to satisfy eligibility requirements; Judgment or Order to cover a child; Entitlement to Medicare or Medicaid benefits. Unless you are subject to one of these qualifying events, your election is irrevocable for the plan year. If you experience one of the changes noted above, you are allowed to modify your election within 30 days of the event.*

**Q: Can I submit a claim after the plan year ends?**

You will have a “grace period” after the end of the plan year or the date your coverage period ends to submit claims that were incurred during the plan year. Your Plan Summary will indicate the exact amount of time your plan allows. The expense MUST be for services performed during the plan year.

**Q: What form do I use to file a claim?**

Your employer has a supply of claim forms you can use when you have a claim to be submitted. **You can also download a claim form via our website at [www.ims-tpa.com](http://www.ims-tpa.com).** Simply complete the form and read the claim-filing instructions on the reverse side of the form to ensure your claim is properly submitted. If the expense is qualified under the Plan and appropriate documentation is submitted, you will receive a reimbursement check.

**Q: How and when can I submit a claim?**

You can fax the claim and the appropriate claim substantiation information to **IMS at (919) 877-0615 or it can be mailed to IMS at PO Box 19108, Raleigh, NC 27619** any time during the plan year.

## HOW DO I GET STARTED?

*How much money should I contribute?*

*How do I enroll?*

*How do I get my money back?*

*It's as easy as 1, 2, 3 ...*

### 1) DETERMINE THE AMOUNT OF YOUR CONTRIBUTIONS

During your annual open enrollment period, determine how much money you need to set aside for the year. Be conservative in your estimates because of the “use it or lose it” rule. Your employer deducts that amount from your pay on a pre-tax basis in equal amounts throughout the year. For example, if you are paid 52 times a year and you elect to contribute \$1,040 you would have \$20 deducted from each paycheck and credited to your FSA account.

### 2) ENROLL

Complete your employer's FSA enrollment form.

### 3) SUBMIT YOUR CLAIM

When you have an eligible expense, submit a claim for reimbursement with the appropriate documentation to IMS by mail or fax and IMS will reimburse you by check.

## POINTS TO CONSIDER

- **How much to place in your FSA Benefits Plan**

After reviewing the list of qualified expenses, try to determine how much you expect to spend on these expenses during the plan year.

- **The “Use it or Lose it” Rule**

Remember if you contribute to a Flexible Reimbursement Account and do not use all of the monies you deposit, you will lose any remaining balance in the account at the end of the plan year.

Because of the tax advantages of a Flexible Spending Account plan, the IRS has established strict guidelines for monies not used by the end of the plan year. For this reason, plan carefully how much to place in your account. Only contribute an amount that you feel confident you will use to pay for qualified expenses incurred during the plan year.

- **Social Security Benefits**

Any reduction in your taxable pay for Social Security purposes may also lead to a reduction in your Social Security benefits. For most employees, the reduction in Social Security benefits will be insignificant compared to the value of paying lower taxes today.

- **Once enrolled, you may not change**

To comply with IRS regulations, you may only make a change in your elections during the open enrollment period each plan year. You may NOT make changes to your elections after the open enrollment period, unless you experience a family status change. Examples include – marriage, divorce, birth, adoption, death, loss of spouse's employment, etc...

## SAMPLE EXPENSES ELIGIBLE FOR SPENDING ACCOUNT REIMBURSEMENTS

### Medical, Dental, Vision Expenses

- Acupuncture
- Alcoholism treatment
- Ambulance hire
- Artificial teeth
- Birth control pills
- Braces
- Braille-books & magazines
- Chiropractors
- Christian Science Practitioners' Fees
- Co-insurance amount you pay
- Co-pay amount you pay
- Contact lenses & eyeglasses plus eye examination
- Contact lens solution
- Cost of operations and related treatments
- Crutches
- Dental fees
- Drugs (by prescription) & medical supplies
- Fees for Practical Nurse
- Fees for healing services
- Handicapped persons' special schools
- Hearing devices & batteries
- Home improvements necessitated by medical considerations
- Hospital bills
- Insulin
- Laboratory fees
- Lead-base paint removal (for children with lead poisoning)
- Massage Therapy (medically necessary)
- Medical information plan
- Mentally handicapped persons' cost of special home therapy
- Nurses fees (including Nurses' board & social security tax paid by you)
- Obstetrical expenses
- Orthopedic shoes
- \* Over-the-counter medications purchased to *treat* or *alleviate* the symptoms of an illness or injury (i.e. Tylenol, Neosporin, Band-aids, etc...)
- Oxygen
- Physical fees
- Psychiatrists & Psychologists fees
- Radial Keratotomy and Lasik eye surgery
- Routine physical & other non-diagnostic services or treatments
- Seeing-eye dog and maintenance

- Smoking cessation (excluding patches and nicotine gum)
- Special education for the blind
- Special plumbing for the handicapped
- Sterilization (ie., tubal ligation, vasectomy)
- Surgical fees
- Telephone, special services for the deaf
- Television audio display equipment for the deaf
- Therapeutic care for drug & alcohol addiction
- Therapy treatments
- Transportation expenses primarily in the rendering of medical services
- Tuition at special school for handicapped
- Vitamins, by prescription only
- Weight loss program (if prescribed by Physician to treat existing disease)
- Wheelchair
- X-ray

### Dependent Care Expenses

- Baby-sitters over the age of 18
- Daycare Centers
- Nursery Schools
- After-School Programs
- Day Camp
- Eldercare

### Common Expenses Not Eligible for Reimbursement

- Cosmetic procedures
- Over the counter vitamins and dietary supplements (unless the claimant provides physician documentation that a medical condition validates the expense)
- Gym and fitness club memberships
- Nicotine Patches and Gum

\* **Some items may require physician documentation**

***If you are unsure if an expense is eligible for reimbursement, please call the Interactive Medical Systems Flex Department at 919-877-9933 or 800-426-8739. Business hours are Monday through Friday 8:00 am to 5:00 PM EST.***

**FLEXIBLE BENEFITS WORKSHEET**

**Instructions:** To estimate your potential unreimbursed health care and dependent care expenses for the coming year, be sure to review your "Explanation of Benefits" forms, tax receipts, expense vouchers, checkbook registry, etc., for the prior two years. Using these figures as a benchmark, conservatively estimate the amount of expenses you will most likely incur in the coming year in sections A & B below.

**A) Medical, Dental, Vision Expenses** (estimated unreimbursed annual health care expenses):

<u>MEDICAL</u>	(Annual)	<u>DENTAL</u>	(Annual)
Doctor Office Co-pays	\$ _____	Filings	\$ _____
Deductibles	_____	Bridges	_____
Routine OB-GYN Exam	_____	Crowns	_____
Physicals (school physicals, etc...)	_____	Dentures	_____
Co-Insurance	_____	Orthodontia	_____
Prescription/OTC Drugs	_____	Oral Exams	_____
Wheelchair, Crutches, and Medical Appliances	_____	Cleanings/X-Rays	_____
Other (miscellaneous) Costs	_____		
<u>VISION</u>		<u>HEARING</u>	
Eye Exams	\$ _____	Exams	\$ _____
Eyeglass Lenses/Frames	_____	Hearing Aids	_____
Contact Lenses	_____		

**A) Total Annual Medical Expense** \$ \_\_\_\_\_

**B) Dependent Care (estimated dependent care expenses required for you and your spouse to continue working): (Annual)**

Child Care Center/Babysitting services	\$ _____
Pre-school/Nursery school tuition	\$ _____
After-school programs, Day Camp	\$ _____

**B) Total Annual Dependent Care Expense** \$ \_\_\_\_\_

**Total (A) + (B) = total annual election of \$ \_\_\_\_\_ divided by payroll cycle = \$ \_\_\_\_\_ / pay period**

If you are unsure if an expense is eligible for reimbursement, please call the IMS Flex department at (919) 877-9933.

PO Office Box 19108  
Raleigh, NC 27619

5621 Departure Drive, Suite 117  
Raleigh, NC 27616

Phone: 919- 877-9933 or 800-426-8739  
Fax: **(919) 877-0615**

**Website: [www.ims-tpa.com](http://www.ims-tpa.com)**



***Creating Healthier Benefits<sup>sm</sup>***