



Flexible Spending Account Information Sheet

A Flexible Spending Account (FSA) is a tax-favored program offered by employers that allows employees to pay for eligible out-of-pocket health care and dependent care expenses with pre-tax dollars. By using pre-tax dollars to pay for eligible health care and dependent care expenses, an FSA gives you an immediate discount on these expenses that equals the taxes you would otherwise pay on that money.

In other words, with an FSA, you can both reduce your taxes and get more for your money by saving from 20% to more than 40% you would normally pay for out-of-pocket health care and dependent care expenses with after-tax (as opposed to taxed) dollars.

What is a Dependent Care Flexible Spending Account?

The Dependent Care Flexible Spending Account pays for child care or adult IRS-eligible dependent care expenses that are necessary to allow you or your spouse to work or attend school full-time. The Dependent Care FSA is available for child care for children up to age 13 or for children of any age who are physically or mentally incapable of self-care, as well as adult day care for senior citizen dependents who live with you, such as parents or grandparents. The person or persons on whom the Dependent Care FSA is spent must be able to be claimed as a dependent on the employee's federal tax return. It also pays while you or your spouse look for work, however, it does not pay if you (or your spouse) did not find a job and have no earned income for the year. The Dependent Care Flexible Spending Account does NOT pay for medical care for your dependents. The funds may also not be used for summer camps or for long term care for parents who live elsewhere.

What is a Health Care Flexible Spending Account?

A Health Care Flexible Spending Account (FSA) allows you to pay for certain out-of-pocket healthcare expenses with tax-free dollars. Each year, LCC full-time employees have the opportunity during annual open enrollment to sign up for the FSA and decide how much to contribute. The money in an FSA account is never taxed, so you receive a discount (between 22% and 38% depending on your tax bracket) on health-related expenses you would have to pay anyway.

The account pays for eligible health expenses not reimbursed by insurance, including deductibles, copays, prescriptions, certain over-the-counter drugs and more. It can be used for eligible expenses for you and your eligible dependents, even if you are not enrolled in an LCC medical plan.

Examples of expenses not eligible for FSA reimbursement include cosmetic expenses, herbs, nutritional supplements, health club dues and insurance premiums. In addition, only the portion of the expense NOT covered by any other plan (insurance or other FSA plan) is eligible. For more information about eligible and ineligible expenses, refer to the "FSA Summary Plan Description".

Reminder of Important Changes in 2011 to HealthCare FSA

Effective January 1, 2011, in compliance with the new federal healthcare reform law (Patient Protection and Affordable Care Act), eligibility rules for over-the-counter (OTC) items changed. OTC drugs and medicines (except OTC insulin) are considered ineligible unless you have a prescription from your physician.

Can I change my Dependent Care and/or Health Care FSA election?

You cannot change your FSA election after your benefits enrollment period has ended unless you have a Qualifying Event. Please see the Summary Plan Description for more information.

What is the maximum amount that I can contribute to my FSA?

\$3,500 is the maximum annual amount for Health Care FSA.
\$5,000 is the maximum annual amount for Dependent Care FSA.

How do I pay for my eligible FSA expenses?

There are two ways to pay for expenses:

- *Use Your FSA Flex Debit Card* – Like a debit card, you present this card to your doctor's office, pharmacist or other service provider when paying for eligible expenses. The amount will be deducted from your FSA account.
- *Submit a Claim* – If you choose to pay for the service out of pocket, you can then submit a claim form (either by fax, email or by mail) to the FSA administrator, Benefit Consulting Group. You will receive a reimbursement check by mail or you can have the reimbursement deposited directly into your bank account. Claims are processed daily. Claim forms and direct deposit forms are available online at www.lcc.edu/hr/employee_benefits

What else do I need to know about using the FSA Flex Debit Card?

- You can use your card at any provider or merchant that accepts the debit card. These may include hospitals, physician offices and pharmacies (including mail order).
- You should use the "Credit" option when using the card.

Is there a deadline to use my FSA funds?

For 2011-2012, you have until January 14, 2013 to incur eligible expenses and you have until March 30, 2013 to submit claims. Any funds in your account after March 30, 2013 will be forfeited.

How can I find out how much is in my FSA account?

You can check your account balance and claims status at any time by logging on to www.benefitspaymentsystem.com.

How do I get more details about FSAs?

The Summary Plan Description (SPD) as well as additional FAQ's are posted at the LCC Human Resources website at www.lcc.edu/hr/employee_benefits