Flexible Spending Account Q&A

What are FSAs and who can have them?

1. What is a Flexible Spending Account (FSA)?
   A Flexible Spending Account (FSA) is a tax-favored program offered by employers that allows their employees to pay for eligible out-of-pocket healthcare and dependent care expenses with pre-tax dollars. FSAs are exempt from federal taxes, Social Security (FICA) taxes and, in most cases, state income taxes.
   
   The most common types of Flexible Spending Accounts are:
   
   - Medical Flexible Spending Account (Medical FSA): an account that provides pre-tax reimbursement of qualifying out-of-pocket medical expenses not covered by insurance. For a list of eligible Medical FSA expenses, please consult our 213(d) Eligible Expenses document (see "Useful Links & Resources") on our website.
   
   - Limited Purpose Medical Flexible Spending Account (LPFSA): an account that provides pre-tax reimbursement of qualifying out-of-pocket expenses related to preventative care, dental, and vision expenses not covered by insurance.
   
   - Dependent Care Reimbursement Account (DCRA): an account that provides pre-tax reimbursement of dependent care expenses (e.g. daycare) incurred by eligible dependents.
   
2. What are the general features and tax benefits of an FSA?
   
   - Your contributions are pre-tax or tax-deductible*
   
   - Tax-free withdrawals are made to pay your out-of-pocket expenses related to healthcare and dependent care
   
   - FSA dollars can be used during the plan year; they do not carry over from year to year

   *Contributions are tax-deductible on your Federal tax return. Some states do not recognize FSA contributions as a deduction. Consult a qualified tax adviser for advice.

3. Why should I enroll in an FSA?
   With an FSA, your out-of-pocket health and/or dependent care expenses are paid with tax-free dollars. You can save an average of 30% on all of your eligible expenses.

4. Whose expenses can I claim under my FSA?
   You can use your FSA to pay for eligible expenses incurred by any of the following individuals:
   
   - yourself
   
   - spouse
   
   - qualifying child
   
   - qualifying relative

   New rules allow a dependent to be eligible for the plan even when that dependent does not qualify to be claimed as your tax dependent on your tax return. U.S. Bank Healthcare Payment Solutions recommends that you check with your tax adviser before you make your election for the plan year.

5. What are eligible Medical FSA expenses?
   The FSA and HSA Eligible Expenses List (a.k.a. 213(d) Eligible Expenses) is a summary of common expenses claimed against Medical Flexible Spending Accounts (FSAs) and Health Savings Accounts (HSAs). (See "Useful Links & Resources" on our website.)

   Due to frequent updates to the regulations governing FSAs and HSAs, this list does not guarantee reimbursement but instead is to be utilized as a guide for the submission of claims.
6. Can I change my FSA election mid-year?

Certain qualifying events allow employees to increase/decrease their election or begin/cease participation in a plan. Common qualifying events can be found on the FSA Status Change Form (see Forms on our website) and include marriage, divorce, birth, death, or a change in the cost of dependent care.

The adjustment to the election must be consistent with the event. For example, an increase in the cost of daycare would not allow you to decrease your election (although if the increase made the cost of care unaffordable, one could justify no longer participating in the plan).

Please refer to your employer's Plan Document for further guidance on qualifying status change events applicable to your plan.

To request an election change, complete and submit the FSA Status Change Form to your employer (see Forms on our website).

7. Am I eligible to participate in a Dependent Care Reimbursement Account (DCRA)?

You are eligible for this benefit if you have a dependent (whose expenses are eligible) who requires care to enable you to work. In addition, you must meet one of the following eligibility criteria:

- You are unmarried
- Your spouse works, is a full-time student, is actively seeking work, or is disabled (incapable of self-care)
- You are divorced or legally separated and have custody of your child even though your former spouse may claim the child for income tax purposes. Your Dependent Care FSA can be used to pay for child care services provided the period the child resides with you.

Important Notes:

- Expenses are treated as having been incurred at the time the medical care was provided, not when you are formally billed, charged, or pay for the medical expenses.
- You cannot receive reimbursement for future or projected expenses.
- All submitted expenses are reviewed for eligibility according to Internal Revenue Code Section 129 guidelines.

8. What are eligible DCRA expenses?

Eligible expenses are daycare expenses for eligible dependents that are incurred so you and your spouse can work. To qualify, you and your spouse must be employed, or your spouse must be a full-time student.

If you're married and you file a joint return, or if you file a single or head-of-household return, the annual IRS limit is $5,000. If you're married and file separate returns, you can each elect $2,500 for the calendar year.

Eligible dependents include:

- Children under age 13 who are claimed as a dependent for tax purposes
- Care of a disabled spouse or disabled dependent of any age

Ineligible expenses:

- Costs already claimed as a dependent care tax credit on your income tax return
- Nursing home, respite care or other residential care centers
- Services provided by one of your dependents
- Nighttime babysitting expenses that are not work related
- Expenses while absent for work for more than two weeks at a time
- Costs paid to your own dependents, under age 19, who are caring for your dependents
- Expenses paid for schooling for kindergarten or higher.

9. What is automatic dependent care reimbursement?

Automatic dependent care enables participants to be automatically reimbursed for dependent care expenses by filing out one form instead of filing multiple claims throughout your plan year.

Automatic dependent care works in one of two ways:

- If the cost of child care per month meets or exceeds your monthly payroll deduction, reimbursement will be issued as payroll deductions post to your Dependent Care Reimbursement Account.
- If the cost of daycare is less than your monthly payroll deductions, reimbursement will be made once per month at the end of the month. To set up automatic dependent care reimbursement, complete the FSA Automatic Dependent Care Request Form (see Forms on our website).

The FSA Automatic Dependent Care Request Form needs to be completed each plan year. Changes can be made at any time by submitting an updated FSA Automatic Dependent Care Request Form.

10. Can I use both the tax credit and the DCRA?

Maybe. If you have two or more qualified dependents and pay more than $5,000 per calendar year in daycare expenses, you can take the remaining amount and apply it toward the tax credit maximum. Based on your family's income level, you'll receive a credit for a percentage of that amount. For example, if your family's income is $33,000 a year, you have two dependents, and you spent $7,000 in childcare expenses, you would be eligible to take an additional tax credit of $250 ($1,000 x 25% tax credit percentage based on income level).
11. Where can I use my U.S. Bank Payment Card?

U.S. Bank Payment Cards can be utilized at healthcare-related merchants, such as hospitals and vision, dental, and doctor's offices. It can also be used at drugstores, pharmacies, and grocery stores that have implemented the IIAS (Inventory Information Approval System) or certified 90% of their gross sales are FSA eligible (see "Useful Links & Resources" on our website).

As always, save itemized receipts, bills, or statements any time the Payment Card is utilized.

The Payment Card may also be used at daycare providers that accept MasterCard or Visa and have a valid merchant category code signifying they are a daycare provider. The Payment Card may not be used if you pre-pay daycare expenses, since the IRS requires the expense must be incurred before reimbursement can be made from your dependent care spending account.

12. If I don’t use my U.S. Bank Payment Card for a medical expense, how can I reimburse myself?

If you do not use your U.S. Bank Payment Card, you may file claims for reimbursement in two ways:

- File an online claim. First, log in to your account. Click on the file claim link on your home page and walk through the steps to enter the details of the claim. Once you have filed your claim, you must agree to the terms and conditions and click the Submit button. To complete the reimbursement process, send your confirmation page along with your supporting documentation to us.

- File your claim using the FSA Reimbursement Request Form (see Forms on our website). Follow the provided instructions to complete this form. Claims and copies of your supporting documentation can be submitted via e-mail, fax, or mail.

E-mail: myusbank@healthaccountservices.com
Fax number: 888-403-5029
Mail: U.S. Bank Healthcare Payment Solutions c/o Health Account Services P.O. Box 6122 Fargo, ND 58108-6122

13. Why may I be asked to provide documentation for a U.S. Bank Payment Card purchase? Wasn't my payment already approved?

Federal regulations require U.S. Bank Healthcare Payment Solutions to obtain itemized receipts for transactions that are not automatically substantiated at the point of sale.

Card transactions can be automatically substantiated without additional paperwork if they are:

- Co-payment amounts tied to your health plan. These amounts need to be communicated to U.S. Bank Healthcare Payment Solutions by your employer.
- Transactions that match the provider and dollar amount exactly for previously approved transactions (e.g., orthodontia claims, maintenance prescription drugs) and were noted by you as recurring on the request for substantiation notification.

- Purchases made at merchants using the Inventory Information Approval System (IIAS). (See “Useful Links & Resources” on our website.)

In the event a charge does not meet these three criteria, U.S. Bank Healthcare Payment Solutions will send three requests for documentation. These requests are generally sent 5 days, 20 days, and 45 days after the date of purchase and will cease once documentation has been received.

Should a charge remain unsubstantiated 60 days after the date of the card transaction, the benefits payment card will be placed in a temporary hold status. The payment card will be re-activated as soon as the necessary documentation has been received to substantiate the expense.

14. What type of documentation is acceptable for reimbursement or substantiation?

Documentation for medical FSA expenses required by the IRS includes a third-party receipt or Explanation of Benefits containing the following information:

- Date(s) of service or purchase made
- Type(s) of service or name(s) of item(s) purchased
- Dollar amount(s) (after insurance, if applicable)

For example: an Explanation of Benefits from your insurance company or itemized statements from the provider is excellent documentation.

Documentation for Dependent Care Reimbursement Account (DCRA) expenses required by the IRS includes a third-party receipt containing the following information:

- Date(s) of service
- Dollar amount
- Name of daycare provider

In the event the provider is unable to provide a receipt with this information, he or she may simply sign the FSA Reimbursement Request Form or the confirmation page (if the claim was filed online). (See Forms on our website.)

Commonly submitted documentation that results in denials includes:

- Statements only indicating a paid amount, balance forward or previous balance
- Credit card receipts only reflecting a payment
- Bills for dependent care/medical expenses where services have not yet been incurred

When submitting a receipt for a co-payment amount, please be sure the co-payment description is on the receipt. In some cases, you will need to ask for a receipt at the point of service. If "co-payment" is not clearly identified, have the provider write "co-payment" on the receipt and sign it.
15. Where do I send my documentation?

To ensure efficient processing, include the proper form or letter along with your documentation. This can be submitted via e-mail, fax, or mail.

E-mail: myusbank@healthaccountservices.com
Fax number: 888-403-5029
Mail: U.S. Bank Healthcare Payment Solutions
     c/o Health Account Services
     P.O. Box 6122 Fargo, ND 58108-6122

16. What happens to my FSA if I terminate employment?

Participation in the FSA ends if you terminate employment. This means only expenses incurred prior to the date your participation in the plan ends are eligible for reimbursement. Claims for expenses incurred prior to the plan termination date must be submitted within the “run out” period.

17. What is the “run out” period?

The “run out” is a specified period of time after the end of the plan year, or following your termination in the plan, in which you may continue to submit claims incurred during your period of coverage. This is not a period when you are able to continue to incur new expenses, but rather it allows you time to gather and submit expenses before forfeitures are applied.

For example, if your plan has a 90 day “run out” period, you will have 90 days from your date of termination to submit expenses incurred prior to the termination date.

18. How do I determine the date my expense(s) were incurred?

A service or expense must be incurred before it is eligible for reimbursement. An FSA expense is considered “incurred” when the service is performed, not when you pay for the service. In addition, the service must be performed during your participation in the plan. Services or expenses incurred before or after your plan participation dates do not qualify for reimbursement.

19. How do I access account information?

Please follow these steps to access your account online:


2. Click the Participant Log In button found on the left side of the page.
   - If you are a new user, click the “Create your new username and password” link.
   - If you forgot your username, click the “I forgot my username” link.
   - If you forgot your password, click the “I forgot my password” link.

20. How do I authorize my spouse and/or another individual to obtain information about my account?

Due to HIPAA regulations, U.S. Bank Healthcare Payment Solutions cannot disclose your personal health information (PHI) to any unauthorized representatives.

To authorize an individual or entity to discuss your account detail, complete the Authorized Representative HIPAA Form (see Forms on our website). Once authorized via the form, any authorized representatives can discuss account details for one year.

21. What happens if I do not use all of the money in my account by the end of the plan year?

Federal law governing flexible spending accounts specifies that any money remaining in your account at the end of the plan year will be forfeited. This is more commonly known as the “use-it-or-lose-it” rule. Forfeitures may be used by your employer to offset the administrative costs of operating the plan.

22. Is there a daily transaction limit on my card?

For your protection, there is a $3,000 daily transaction limit on your card, regardless of your account balance. It can temporarily be increased, upon request, by calling U.S. Bank Consumer Services.

www.mycdh.usbank.com
877-470-1771

IMPORTANT INFORMATION
This Health Savings Account (HSA) is a custody account with U.S. Bank serving as the custodian. Terms and conditions of the HSA are included in your HSA Application and Agreement. For the U.S. Bank HSA, your funds maintained in the Cash Account are FDIC insured subject to the FDIC insurance coverage and insurance limits allowed by law. FDIC insurance is calculated on end-of-day ledger balances in your deposit account which may include funds deducted from your available balance for investment purchases that have not yet settled.

U.S. Bank and its representatives do not provide tax or legal advice. Clients should consult with their tax and/or legal professional for advice and information concerning their particular situation.

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