



Health Flexible Spending Arrangement (FSA)

Health Flexible Spending Arrangement (FSA):

- Reimburses qualified medical care expenses
- Reduces taxable income for the employee and the employer
- Employees select to have pre-tax contributions withheld from their paycheck
- Plan design is at the discretion of the employer
- \$2,550 limit on annual contributions for tax years beginning after December 31, 2014 (subject to inflationary increases).

Requirements:

- Expenses must be incurred during the plan year
- Employees have access to the entire contribution amount at the beginning of the plan year
- Employees may only make a change in contribution amounts when there is a specific change in status as described in the Summary Plan Description (SPD)
- Any unused funds at the end of the plan year are forfeited, unless your employer has included a carryover provision (limited to \$500) or grace period in your plan. Please see your plan sponsor/HR Director to understand if your plan has a carryover or grace period
- Participation ends when an employee terminates employment
- Only expenses incurred prior to termination are eligible
- Expenses must be submitted during the plan year or within the run-out period described in the SPD
- When the employer must comply with COBRA, the employee may continue on a self-pay basis

Qualified Medical Care Expenses:

- Includes deductibles, coinsurance, prescription drugs, vision care, and dental care
- Eligible expenses are also defined in section 213(d) of the Internal Revenue Code

Reimbursement:

- PHP will automatically reimburse medical and pharmacy deductibles, copayments and coinsurance
- Dental claims, vision claims, denied claims and employees with secondary insurance must submit claims manually with an Explanation of Benefit, receipts or a provider statement
- Employees may opt-out of the automatic reimbursement process at the time of enrollment
- Employees may elect reimbursement in the form of a check or direct deposit at the time of enrollment
- Required forms are on our website at www.phpni.com

Employer Savings Example*

Annual Salary Reduction:	(50 employees x \$2,000 per employee) = \$100,000
FICA Savings:	(\$100,000 x 7.65%) = \$7,650
Other Estimated Savings at 3%:	(retirement plan contributions, unemployment taxes, insurance premiums based on compensation) = \$3,000
Total Benefit Savings to Employer:	\$10,650

**This example is for illustration purposes only. The employer's tax situation may be different.*

Employee Savings Example*

Employee contributions will not be subject to Federal Income Tax, State or Local Income Tax and FICA (Social Security and Medicare taxes).

<u>FSA Arrangement</u>	<u>WITH</u>	<u>WITHOUT</u>
Income	\$2,500.00	\$2,500.00
FSA Contributions	\$150.00	\$0.00
Taxable Income	\$2,350.00	\$2,500.00
Estimated Federal Tax (15%)	\$352.50	\$375.00
FICA Tax (7.65%)	\$179.78	\$191.25
<u>Medical Expenses</u>	<u>\$0.00</u>	<u>\$150.00</u>
Take-Home Pay	\$1,817.72	\$1,783.75

**This example is for illustration purposes only. The employee's tax situation may be different.*

Additional Information:

- Complete details can be found in the Summary Plan Description that is provided by the employer
- Information about an employee's FSA account is available online at www.phpni.com
- FSA account information is also available by calling Customer Service at (260) 432-6690, ext.11; 1-800-982-6257, ext. 11; or (260) 459-2600 for the hearing impaired



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