FSAs & DCRAs: SIMPLE ways to SAVE

Flexible spending accounts (FSAs) and dependent care reimbursement accounts (DCRAs)

It's *easy* to save WITH AN FSA

PEEHIP

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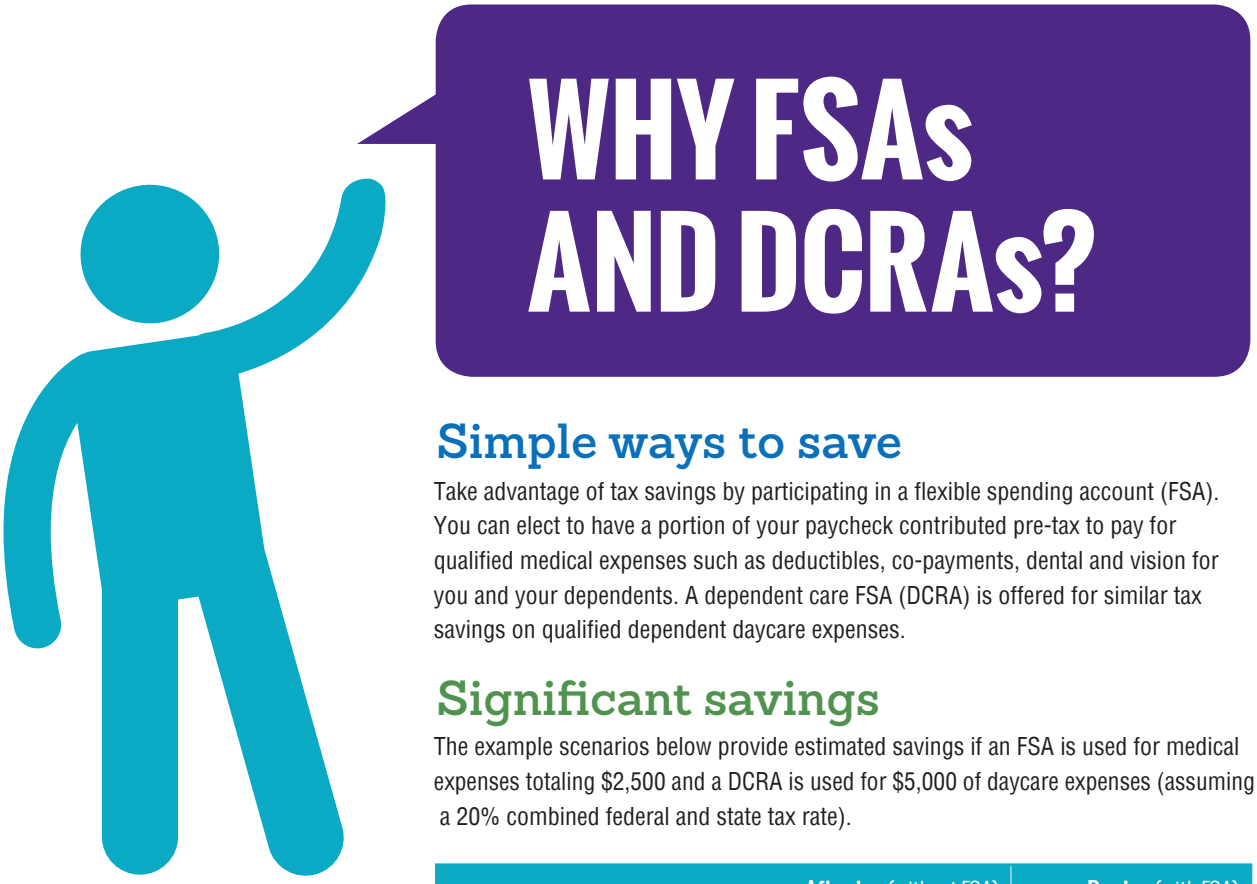

WHY FSAs AND DCRAs?

Simple ways to save

Take advantage of tax savings by participating in a flexible spending account (FSA). You can elect to have a portion of your paycheck contributed pre-tax to pay for qualified medical expenses such as deductibles, co-payments, dental and vision for you and your dependents. A dependent care FSA (DCRA) is offered for similar tax savings on qualified dependent daycare expenses.

Significant savings

The example scenarios below provide estimated savings if an FSA is used for medical expenses totaling $2,500 and a DCRA is used for $5,000 of daycare expenses (assuming a 20% combined federal and state tax rate).

	After-tax (without FSA)	Pre-tax (with FSA)
Annual pay	$45,000	$45,000
Pre-tax FSA contribution	-	($2,500)
Taxable income	$45,000	$42,500
Taxes (20%)	($9,000)	($8,500)
Take-home pay	$36,000	$34,000
After-tax expenses	($2,500)	-
Spendable income	$33,500	$34,000
SAVINGS		**$500**

	After-tax (without DCRA)	Pre-tax (with DCRA)
Annual pay	$45,000	$45,000
Pre-tax FSA contribution	-	($5,000)
Taxable income	$45,000	$40,000
Taxes (20%)	($9,000)	($8,000)
Take-home pay	$36,000	$32,000
After-tax expenses	($5,000)	-
Spendable income	$31,000	$32,000
SAVINGS		**$1000**

(Examples only)

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FSA OPTIONS

PEEHIP offers two types of optional FSAs designed to maximize your savings and address your personal needs:

Healthcare FSA

Funds from a healthcare FSA can be used for qualified expenses including medical, dental, vision, deductibles, co-payments and coinsurance. For a full list of qualified expenses allowed by the IRS, see IRS Publication 502.[1] With healthcare FSAs, the entire elected amount is available to you on the first day of the health plan year. You don't have to wait for payroll deductions before paying expenses with your healthcare FSA.

Healthcare FSA limits

The IRS has set the limit for healthcare FSA contributions to $2,550 per employee (see publication 969), which is also the limit set by PEEHIP.

Dependent care FSA or DCRA

A DCRA enables you to set aside pre-tax dollars to pay for qualified dependent care expenses. The maximum annual DCRA contribution allowed is $5,000 per household, or $2,500 if you're married, but filing separate tax returns. The minimum required contribution is $120. Funds can be used to pay for day care, preschool, elderly care or other dependent care. To qualify for a DCRA, the IRS requires that the dependent care is necessary for you and your spouse to work, look for work or attend school full-time, along with other requirements. DCRA funds cannot be used for medical, dental or vision expenses for you or your dependents.

Learn more at:

HealthEquity.com/PEEHIP

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[1] Premiums and prepayment for long term care are not eligible for FSA.

It is the member's responsibility to ensure eligibility requirements as well as if they are eligible for the plan and expenses submitted. One should consult a tax advisor as individual factors and situations vary.

HOW HEALTH CARE FSAs WORK

1 Sign up

During PEEHIP's open enrollment or within 30 days of hire date, sign up to participate in a healthcare FSA. Select the option that best meets your needs and then determine the amount you would like to contribute from your pre-tax earnings. Participation in the PEEHIP FSA program does not automatically renew each year. Members must re-enroll every year to continue participation.

2 Contribute

Your employer will arrange to have the determined amount of your pre-tax earnings contributed to your healthcare FSA. The amount withheld from your paycheck is equal each pay period.

3 Use your funds

If you're enrolled in PEEHIP coverage, your out-of-pocket expense will automatically be sent to you out of your healthcare FSA. If you have coverage through another health plan, or have other qualified expenses, such as glasses or braces, you can submit the receipt for reimbursement through the HealthEquity member portal or mobile app. Prescription drugs can be purchased using your HealthEquity VISA Reimbursement Account Card.[2]

USE IT, OR LOSE IT

FSAs are generally "use-it-or-lose-it" plans. This means that any funds in the FSA at the end of the plan year generally cannot be carried over to the next year. However, PEEHIP has designated that $500 can carry over. Additionally, if an accountholder leaves an employer or retires, unused funds are forfeited. For more details, see IRS publication 969 or consult a tax advisor.

$500 CARRYOVER

PEEHIP allows up to $500 of unused FSA funds remaining at the end of a plan year to be carried over to the next plan year.

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HEALTHCARE FSA INSIGHT

FSA eligibility

PEEHIP Flexible Spending Accounts are available to all actively employed members of PEEHIP. Retired members are not eligible to participate in the FSA. In addition to your own qualifed expenses, you can use your FSA funds to pay for those of your spouse and qualified dependents.[1]

New! Prescription drug debit card

For your convenience, you will be provided an FSA debit card to use at the pharmacy for your prescription drugs.[2]

Dental expenses

FSA funds don't have to be used just for medical expenses. You can use them for qualifying dental expenses, including exams, x-rays, cleanings and dental work. You can even use your FSA to pay for orthodontic services.

Vision expenses

You can also use your FSA funds for vision expenses such as exams, prescription eyeglasses, contacts and even corrective eye surgery.

Over-the-counter medicine

The IRS no longer allows FSA funds to be used for over-the-counter (OTC) medicines without a prescription. We encourage you to talk to your doctor and request that he or she write a prescription for OTC medicines or supplies that you frequently need to utilize. In that case, you can use your FSA to pay for these items.

Archive your receipts online

Depending on your plan, all of your medical claims will be automatically paid without the need for a receipt. If you pay out-of-pocket for anything not processed through your PEEHIP coverage, you will need to upload the receipts for reimbursement to HealthEquity's easy-to-use, online portal. If you are not participating in PEEHIP's health plan, you will need to upload all receipts for qualifed expenses. Your receipts will remain stored in a safe, secure place, available for future reference and documentation. For a list of what is and is not considered a qualifed expense, go to healthequity.com/qme.

[1] As of June 26, 2015, the Supreme Court of the US has ruled that same-sex marriage is considered legal throughout the US.
[2] This card is issued by The Bancorp Bank, pursuant to a license from U.S.A. Inc. Your card can be used everywhere Visa debit cards are accepted for qualified expenses. This card cannot be used at ATMs and you cannot get cash back, and cannot be used at gas stations, restaurants, or other establishments not health related. See Cardholder Agreement for complete usage restrictions.

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HOW DCRAs WORK

1 Sign up

During PEEHIP's open enrollment, or within 30 days of hire date, sign up for a DCRA and determine the amount you would like to contribute for the year. The maximum annual DCRA contribution allowed is $5,000 per household, or $2,500 if you're married and filing separate tax returns. The minimum required contributions are $120. Unlike a healthcare FSA, your annual DCRA funds aren't available up front. Funds are only accessible as they are deposited with each payroll deduction. Participation in the DCRA does not automatically renew each year, and members must re-enroll every year.

2 Pay for care

Pay for your dependent care costs out-of-pocket, but make sure you save the receipts for reimbursement and validation. HealthEquity offers an easy-to-use Documentation Library that allows you to upload and store receipts within the member portal

3 Submit for reimbursement

Submit for reimbursement through the HealthEquity member portal or the DCRA Reimbursement Form. Recurring DCRA payments could be scheduled throughout the plan year with proper documentation. For more information, contact our account mentors at 877.288.0719.

USE IT, OR LOSE IT

DCRA funds do not roll over from year-to-year. You must use DCRA dollars within the plan year or they will be forfeited.

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QUALIFIED FSA EXPENSES

Qualified healthcare FSA expenses are designated by the IRS. They include medical, dental, vision and prescription expenses. A list of common qualified expenses is included below. For additional examples, including non-qualified expenses, see our database at **www.HealthEquity.com/qme.**

- Acupuncture
- Alcoholism (rehab, transportation for medically advised attendance at AA)
- Ambulance
- Amounts not covered under another health plan
- Annual physical examination
- Artificial limbs/teeth
- Birth control pills/prescription contraceptives
- Body scans
- Breast reconstruction surgery following masectomy for cancer
- Chiropractor
- Contact lenses
- Crutches
- Dental treatments
- Prescription eyeglasses/eye surgery
- Hearing aids
- Long-term care expenses
- Medicines (prescribed, not imported from other countries)
- Nursing home medical care
- Nursing services
- Optometrist
- Orthodontia
- Oxygen
- Stop-smoking programs
- Surgery, other than unnecessary cosmetic surgery
- Telephone equipment and repair for hearing-impaired
- Therapy
- Transplants
- Weight-loss program (if prescribed by a physician for a specific disease)
- Wheelchairs
- Wigs (if prescribed)

QUALIFIED DCRA EXPENSES

To be considered qualified, dependents must meet one of the following criteria:

- Children under the age of 13
- A spouse who is physically or mentally unable to care for him/herself
- Any adult you can claim as a dependent on your tax return that is physically or mentally unable to care for him/herself

A list of common eligible expenses is included below:

- Babysitter inside or outside household
- Before and after school or extended day programs
- Custodial childcare or eldercare expenses
- Day camps
- Daycare centers
- Household employee whose services include care of a qualifying person
- Late pick-up fees
- Looking for work-expenses
- Preschool/nursery school for pre-kindergarten
- Sick-child care center
- Summer day camps

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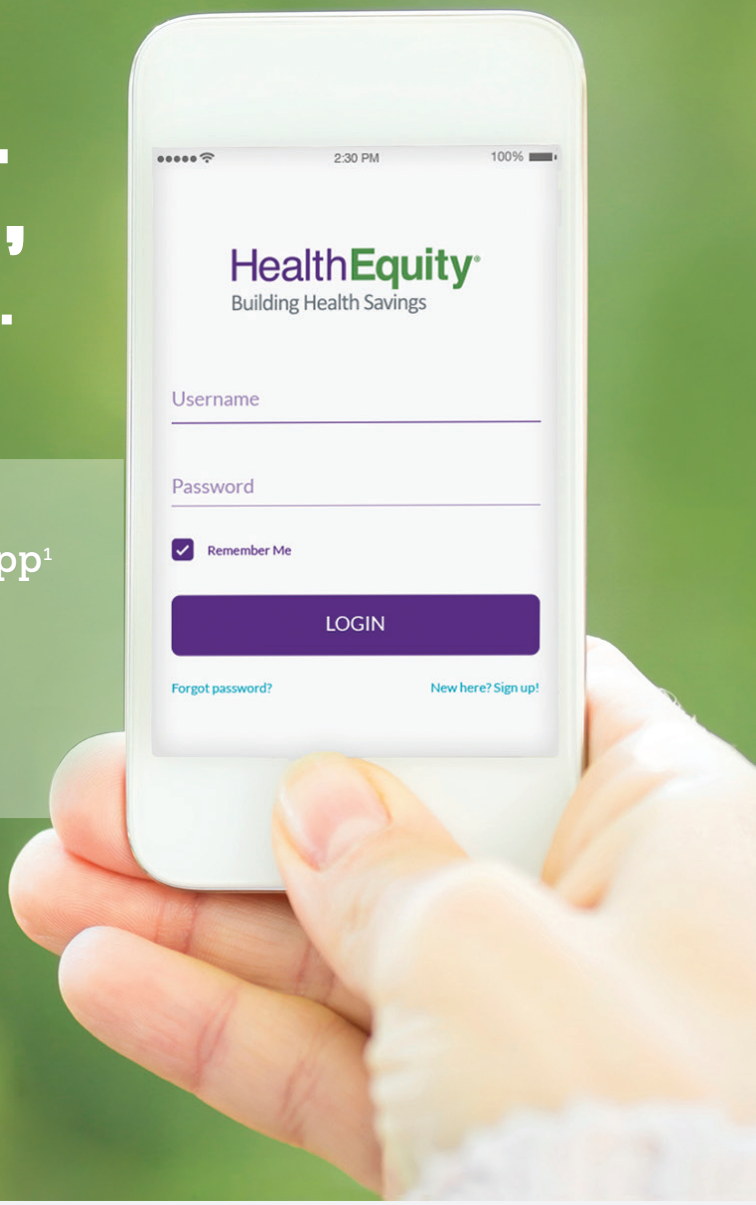
EASY ACCESS to your ACCOUNT, WHEREVER you are.

HealthEquity Mobile app[1] available for FREE at:

- Apple App Store
- Google Play



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[1] Must activate account via HealthEquity website in order to utilize mobile app.

Nothing in this communication is intended as legal, tax, financial, medical or marital advice. Always consult a professional when making life changing decisions. In addition to restrictionsimposed by law, your employer may limit what expenses are eligible for reimbursements. It is the member's responsibility to ensure that the products and services are eligible for reimbursements under the employer's plan.

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