

# FSA & DCRA: Simple ways to save

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





# WHY FSAs AND DCRA's?

## 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 \$3,050 and a DCRA is used for \$5,000 of daycare expenses (assuming a 22% combined federal and state tax rate).

	After-tax (without FSA)	Pre-tax (with FSA)
Annual pay	\$52,000	\$52,000
Pre-tax FSA contribution	-	(\$3,050)
Taxable income	\$52,000	\$48,950
Taxes (22%)	(\$11,440)	(\$10,769)
Take-home pay	\$40,560	\$38,181
After-tax expenses	(\$3,050)	-
Spendable income	\$37,510	\$38,181
<b>SAVINGS</b>		<b>\$671</b>

	After-tax (without DCRA)	Pre-tax (with DCRA)
Annual pay	\$52,000	\$52,000
Pre-tax FSA contribution	-	(\$5,000)
Taxable income	\$52,000	\$47,000
Taxes (22%)	(\$11,440)	(\$10,340)
Take-home pay	\$40,560	\$36,660
After-tax expenses	(\$5,000)	-
Spendable income	\$35,560	\$36,660
<b>SAVINGS</b>		<b>\$1,100</b>

(Examples only)

# 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<sup>1</sup>. 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 \$3,050 per employee (see IRS 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](https://HealthEquity.com/PEEHIP)**

<sup>1</sup> 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 HEALTHCARE 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. 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

When you incur a qualified expense, you can either pay with your HealthEquity Visa® Reimbursement Account Card<sup>1</sup> or submit the expenses through the HealthEquity online portal for reimbursement. Remember to save all receipts; you'll need them for reimbursements and to validate your expenses with your employer or administrator.

<sup>1</sup> 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.



## 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 \$610 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.

## \$610 CARRYOVER

PEEHIP allows up to \$610 of unused healthcare FSA funds remaining at the end of a plan year to be carried over to the next plan year.

# 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 qualified expenses, you can use your FSA funds to pay for those of your spouse and qualified dependents.<sup>1</sup>

## Flex debit card

You will be provided an FSA debit card to conveniently use your FSA funds to pay for doctor, lab and pharmacy copays. In addition, you can use your FSA debit card to purchase several eligible over the counter (OTC) non-prescription medicines, drugs and healthcare items. Such as headache, allergy and cold medicine, diabetic testing supplies, disposable face masks, feminine hygiene products, sunscreen and so much more.

## 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.

## Archive your receipts online

HealthEquity's easy-to-use online portal allows you to upload and store receipts. If your FSA is integrated with a PEEHIP health plan, you can even link your receipts to claims. 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 qualified expense, go to [healthequity.com/qme](https://healthequity.com/qme).



# HOW DCRA<sup>s</sup> WORK

## 1 Sign up

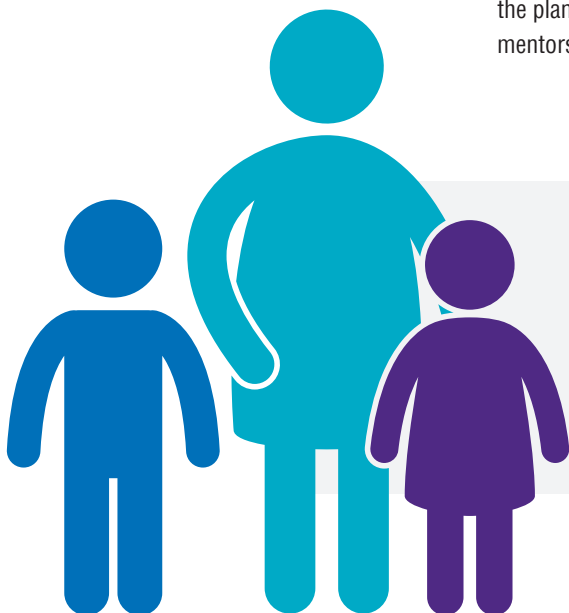
During PEEHIP's open enrollment, or within 30 days of hire date, sign up for a DCRA and determine the amount you would like to contribute for the year. The maximum annual DCRA contribution allowed is \$5,000 per household, or \$2,500 if you're married and filing separate tax returns. The minimum required 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 carry over from year-to-year. You must use DCRA dollars within the plan year or they will be forfeited.

# 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](http://www.HealthEquity.com/QME).

- Acupuncture
- Alcoholism (rehab, transportation for medically advised attendance at AA)
- Allergy medicine
- 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 mastectomy for cancer
- Chiropractor
- Contact lenses
- Crutches
- Dental treatments
- Feminine hygiene product
- Prescription eyeglasses/eye surgery
- Hearing aids
- Lab fees
- Long-term care expenses
- Medicines (prescribed, not imported from other countries)
- Nursing home medical care
- Nursing services
- Optometrist
- Orthodontia
- Oxygen
- Surgery, other than unnecessary cosmetic surgery
- Telemedicine
- Telephone equipment and repair for hearing-impaired
- Therapy
- Transplants
- 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





# EASY ACCESS to your ACCOUNT WHEREVER you are.



HealthEquity mobile app<sup>1</sup>  
available for FREE at:

- Apple® App Store®
- Google Play™



PEEHIP

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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 restrictions imposed 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.