

WHAT IS A FLEXIBLE SPENDING ACCOUNT?

A flexible spending account (FSA) is a tax-advantaged financial account that is set-up through your employer. An FSA allows you to set aside a portion of your earnings to pay for qualifying expenses with pre-tax dollars.

Eligible Health FSA Expenses

- Deductibles
- Copayments & coinsurance
- Over-the-counter drugs*
- Dental expenses
- Vision expenses

Eligible Dependent Care Expenses**

- Child care for children under 13
- Adult day care for elder dependents
- Babysitting / au pair

Employer Advantages of Offering a Flexible Spending Account

- Reduced employer payroll taxes (including Social Security & Medicare)
- Enhanced benefit program available to employees
- Increased employee satisfaction, attraction and retention
- Reduced Workers' Comp premiums based on reduced W2 compensation***

Annual Employer FSA FICA Tax Savings Example

Medical FSA Total Employee Annual Elections	\$15,000.00
Dependent Care Total Employee Annual Elections	<u>\$20,000.00</u>
Total Employee FSA Annual Elections	\$35,000.00

FICA Annual Tax Savings @ 7.65%	\$2677.50
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The EBS Difference

With our 23 years in the industry, we have developed unmatched expertise in administering Section 125 (FSA) plans. We continue to separate ourselves from other third-party administrators by providing full administrative services that include:

- Establishing / updating plan documents and SPDs;
- Discrimination testing;
- Daily claim reimbursements via check or direct deposit;
- Online system and toll-free IVR line to access balance & claims information; and
- A bilingual call center fully-staffed with helpful representatives.

* Over-the-counter expenses are only eligible for reimbursement for plans that began prior to 1/1/11.

** Expenses must be incurred while you & your spouse (if applicable) are working or looking for work.

*** In some states

What is the Take Care® Card?

The Take Care® FSA card is a special type of debit card issued to access your employee's flexible spending account funds. When they use the card to pay for qualified expenses, the money is instantly deducted from their FSA. Participants who use the card won't have to pay for qualified expenses out of their personal funds and then wait for a reimbursement.

The Take Care FSA® card bears the Visa® logo and operates through their main networks.

Sample Qualified Locations

- Doctor Offices
- Pharmacies
- Online Drug Stores
- Dentist Offices
- Daycare Facilities

If your employees have elections for both the Health FSA and Dependent Care, they will receive one card. The card is coded so each purchase is taken from the correct account.

Employees' dependents can also order cards with their names imprinted which is ideal for spouses and children in college.

Employer Advantages of Offering the FSA Benefit Debit Card

- Increase in participation resulting in a reduction of employer payroll taxes (shown below)
- Enhanced benefit program available to employees
- Increased employee satisfaction, attraction and retention
- Reduced Workers' Comp premiums based on reduced W2 compensation*

Annual Employer FICA Tax Savings every additional \$20,000	
Medical FSA Total Employee Annual Elections	\$10,000
Dependent Care Total Employee Annual Elections	<u>\$10,000</u>
Total Employee FSA Annual Elections	\$20,000
Additional FICA Annual Tax Savings @ 7.65%	\$1530.00

Non-Qualified Expenses

With our auto-adjudication rate of 85% - 90%, receipts are rarely required. If a purchase needs to be qualified (i.e. dental work), a letter is sent to the employee's home requesting the receipt be submitted. If the receipt is not submitted within 90 days, their card will be suspended. If the employee does not pay back the account, the amount of the expense in question will be deducted from the next paper claim that is submitted.

Risks for the Employer

As FSA plans are funded fully up-front, the debit cards will be loaded with the employee's full election. It is imperative that terminations are reported to EBS or input into our online system as soon as they occur. Upon notification of a termination, the employee's card will suspend. **If a termination is not recorded, the employee can continue to use the debit card, incurring claims while not participating in the plan.**

* In some states

