

# Your Flex Plan



**HEALTH CARE REIMBURSEMENT ACCOUNT (HCRA)**

**DEPENDENT CARE REIMBURSEMENT ACCOUNT (DCRA)**

**Administered By:**

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CORPORATION

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### ***About Your Administrator...***

For over 20 years, SuperiorUSA has provided fully integrated solutions to maximize the value and cost savings employers and employees receive from their compensation and benefits programs. Our services include retirement plan, flex plan, and COBRA administration, payroll services including our SYBEN benefits management system, as well as employee benefits consulting. We have offices in Duluth and Minneapolis, MN, and work with clients nationwide.

# An Introduction to Your Flex Plan

Sometimes referred to as a cafeteria, flexible benefits, or Section 125 plan, your flex plan is a valuable employer-provided benefit. It lets you set aside pre-tax dollars in an account to pay for certain expenses you will incur during the year, namely out-of-pocket medical, dental, and vision costs as well as dependent care expenses. Your employer's flex plan is also the reason why you're able to save taxes by automatically paying your insurance premiums with pre-tax dollars.

Because you don't have to pay social security, federal or state income taxes on the wages that go through the plan, you realize tax savings and increased spending power. Some people think of it as a 25%-45% discount on their eligible expenses. Or, when you look at your paycheck, you might consider it like getting a raise. In the example below, an employee earning \$2,000 each month increased his or her take-home pay by \$100 on each paycheck just by participating in his or her employer's flex plan.

## Without the Plan

1146	
\$ 1,100.00	
Gross Earnings	\$ 2,000
FICA, Federal, State Taxes	- \$500
Insurance Premium	- \$100
Health and Day Care Expenses	- \$300
<b>NET EARNINGS</b>	<b>\$ 1,100</b>

## With the Plan

1146	
\$ 1,200.00	
Gross Earnings	\$ 2,000
Insurance Premium	- \$100
Health and Day Care Expenses	- \$300
Adjusted Gross Earnings	\$ 1,600
FICA, Federal, State Taxes	- \$400
<b>NET EARNINGS</b>	<b>\$ 1,200</b>

With so many common expenses now eligible for reimbursement, the flex plan is a valuable benefit for almost anyone—from married couples nearing retirement to single young adults just beginning their careers! Throughout the rest of this booklet, we'll provide all of the detailed information and helpful tools you'll need to enroll and participate in your flex plan, so you can take home more money this year.

### Example 1: Single parent with child

> Co-pays to doctors and pharmacists	\$ 210
> Drugs (prescribed OTC and prescription)	630
> Eye exams and prescribed contact lenses	470
> Dental cleanings, fillings, and x-rays	320
> Braces and retainers	1800
> Chiropractor and podiatrist fees	810
> After-school care, day camp, and pre-K	4890
<b>TOTAL BUDGETED EXPENSES</b>	<b>\$ 9130</b>

**Annual Tax Savings of \$2,282 to \$4,108...**

### Example 2: Mature couple

> Co-pays to doctors and pharmacists	\$ 360
> Drugs (prescribed OTC and prescription)	1310
> Eye exams and prescribed eyeglasses	570
> Dental cleanings, fillings, and x-rays	300
> Dentures, sealants, crowns, and bridges	1560
> Physical therapy fees	1790
> Weight-loss program (for a specific disease)	280
<b>TOTAL BUDGETED EXPENSES</b>	<b>\$ 6170</b>

**Annual Tax Savings of \$1,542 to \$2,776...**

### Example 3: Single young adult

> Co-pays to doctors and pharmacists	\$ 80
> Drugs (prescribed OTC and prescription)	180
> Eye exams and prescribed contact lenses	360
> Dental cleanings, fillings, and x-rays	130
> Smoking-cessation program	170
> Prescribed sunglasses	90
> Mileage for health care	20
<b>TOTAL BUDGETED EXPENSES</b>	<b>\$ 1030</b>

**Annual Tax Savings of \$257 to \$463...**

# Health Care Reimbursement Account (HCRA)

By electing to set aside dollars in your HCRA you can pay for eligible out-of-pocket medical, dental, and vision expenses on a pre-tax basis, including deductibles, co-pays, and co-insurance, for yourself, your spouse, and your dependents. As health care costs rise and insurance covers less and less of your expenses, your participation in your employer's flex plan is even more important.

Eligible HCRA expenses must be incurred (but not necessarily paid for) while you are eligible and within the plan year you are enrolled. You may still seek reimbursement after yearend during the run-out period (see your Plan Specs Sheet or SPD). Once you establish your election amount (see your Plan Specs Sheet or SPD for your plan maximum), you may not change or revoke your election unless you have a qualifying change of status as explained on pg. 4. It is important to budget conservatively for your known expenses because any money remaining in your account at the end of the year will be forfeited. Also, your HCRA is a separate election and account from your DCRA; there are no transfers between them.

## Key points about the HCRA

- Your entire annual election is immediately available for reimbursement of incurred expenses, even though you will “earn” your HCRA contributions evenly over the course of the year.
- The expense lists on pgs. 2 and 3 are only partial lists based on IRS guidance. With certain exceptions, medical expenses that are deductible on your personal tax return under IRC Section 213(d) are allowed in the HCRA. These allowed expenses are generally those that are for “the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any part or function of the body.”
- Flexing your medical expenses is done in place of claiming them as an itemized deduction on your tax return. Any expenses not reimbursed through the plan (i.e. in excess of your election or limit) may be deducted on your tax return.
- There are several advantages to using the flex plan instead of taking the deduction on your tax return: you save 7.65% for social security in addition to income taxes; your tax savings occur throughout the year instead of at yearend; you don't have to itemize your tax return; and your HCRA is not subject to the AGI floor (currently 7.5%) as the itemized medical deduction is.
- “Dependent” for medical reimbursement purposes now includes children up to age 26 (regardless of student or marital status) as well as persons classified as tax dependents.
- The HCRA is subject to COBRA. Even without electing COBRA coverage, you will be able to submit claims for the rest of the plan year for expenses incurred while you were employed.
- Group and individual insurance premiums cannot be reimbursed in the HCRA part of the plan.

## Allowed Health Care Expenses (Eligible)

Acupuncture services	Mental health costs
Ambulance services	Medical supplies/devices
Chemical dependency counseling/treatment	Nursing services
Chiropractic services	Osteopathic services
Co-insurance & co-payments, & deductibles	Over-the-counter (OTC) equipment & supplies
Contact lenses & solution	OTC medicines & drugs (*see gray box & lists)
Dental expenses	Oxygen & equipment
Examinations, i.e. eyes, hearing, & physicals	Physician/doctor fees
Eye surgery & LASIK	Prescription drugs
Fertility treatments	Prescription eyeglasses and sunglasses
Hearing aids	Smoking-cessation
Hospital and clinic visits	Therapeutic services
Immunizations	Transportation/mileage (medical-related)
Insulin & diabetic supplies	Vision/eye expenses
Lab and x-ray fees	

## Disallowed Expenses (Not Eligible)

Baby supplies (i.e. wipes, diapers, bottles, etc.)	Hair growth/removal
Breast pumps	Maternity clothes
Cosmetic surgery	Oral care products
Cosmetics & lipstick	Shampoo and conditioner
Diet foods & supplements	Toiletries (for appearance and/or basic hygiene)
Feminine hygiene	Teeth whitening
Funeral expenses	Vitamins, general

## New Rules & Procedures for OTC Drugs

To be reimbursable, purchases of OTC drugs now require a doctor's prescription, letter, or SuperiorUSA's Medical Necessity Form, as proof of medical condition or need. This new documentation needs to be submitted to SuperiorUSA with the OTC claim & receipt or already be on file for the current plan year. OTC equipment, supplies, & kits, are unaffected by the new rules.

# Over-The-Counter (OTC) Expense Lists

Accepted: OTC Equipment & Supplies, Diabetic Items, Vision & Dental OTC*	OTC Drugs (Requires Prescription/Letter/Form)**	Dual Use Expenses***
Band-aids & bandages	Allergy medicine	Acne treatment
Cold/hot packs & wraps	Analgesics	Chondroitin
Contact lens solution	Antacid	Exercise equipment
Contraceptives	Antibiotics (first aid)	Fiber supplements
Crutches & slings	Anti-diarrheal medicine	Glucosamine
Diabetic supplies	Antihistamines	Herbal supplements
First-aid kits	Anti-inflammatory drugs	Hormone therapy
Incontinence supplies	Aspirin & pain relievers	Lactose intolerance pills
Insulin & syringes	Burn treatments (drugs)	Lotion
Oxygen equipment	Cold and flu medicine	Massage treatments
Pregnancy test kits	Corn/callus/wart removers	Orthopedic shoes/inserts
Reading glasses	Cough drops and syrup	Sleep aids
Thermometers	Decongestants	Sunscreen
Wrist & joint supports	Diaper rash treatment	St. John's Wort
	Digestive aids	Vitamins and minerals
	Expectorants	Weight loss programs
	Hemorrhoid treatments	
	Insect bite/sting medicine	
	Laxatives	
	Menstrual pain relievers	
	Motion sickness medicine	
	Muscle/joint pain relievers	
	Nasal sinus sprays	
	Nicotine treatments	
	Oral sore treatments	
	Pedialyte (dehydration)	
	Prenatal vitamins	
	Psoriasis treatments	
	Sinus medication	
	Skin irritation treatments	
	Sunburn treatments	
	Throat lozenges	

\* Accepted OTC items are unaffected by the new rules for OTC drugs. Substantiation remains the same.

\*\* OTC drugs and medicines now require a doctor's prescription, letter, or Medical Necessity Form.

\*\*\* Dual Use OTC items continue to require a doctor's prescription, letter, or Medical Necessity Form.

## Dependent Care Reimbursement Account (DCRA)

The DCRA portion of the flex plan functions in a similar way for dependent care as the HCRA does for health care, though there are a few key differences. By enrolling in the DCRA, you can pay for work-related dependent care expenses with pre-tax dollars. Eligible expenses include traditional childcare, day camps, pre-school, and elder care. Like the HCRA, expenses must be incurred (but not necessarily paid for) while eligible and within the plan year. There is also the same run-out period (see your Plan Specs Sheet or SPD). Annual elections are generally irrevocable and unused balances are forfeited (see pg. 4).

### Dependent defined

To use the DCRA, the person receiving care must be eligible to be claimed as a dependent on your federal tax return AND be either 1) a child under the age of 13, OR, 2) a spouse or other dependent who cannot care for themselves and who spends at least 8 hours per day in your home. Also, DCRA expenses must be work-related.

### DCRA vs. Child Care Tax Credit

In choosing to participate, you may instead consider the tax credit that is available to lower income households, since expenses cannot be counted twice. Generally, if your household earns more than \$40,000 OR if you spend more than \$3,000 per dependent (even at lower income levels), you will be better off in the DCRA. For further specific information, please visit [www.superiorusa.com](http://www.superiorusa.com) or consult your tax advisor.

### Key points about the DCRA

- The IRS limits annual DCRA elections to \$5,000 per family (not per employee).
- Unlike the HCRA, your reimbursable balance is only as much as you've "earned" in terms of your year-to-date contributions into the plan.
- Though care can be provided by individuals or even relatives, in or out of your home, no reimbursement is allowed when care is provided by you, your spouse, another one of your dependents, or your children under the age of 19.
- Overnight camps, expenses solely for household cleaning (maids), and kindergarten or other educational programs are not eligible.
- Upon your termination of employment, COBRA does not apply to the DCRA, though you may still submit claims against your "earned" balance for expenses incurred while employed.

# Important Plan Rules and Information

## **Irrevocable elections and change of status**

For both the HCRA and DCRA options within your employer's flex plan, the annual elections you make prior to becoming eligible and/or starting the plan year are generally irrevocable. They cannot be changed unless it is due to and consistent with a qualifying change of status event, such as: marriage, divorce, birth or adoption of a child, death of a spouse or dependent, or termination or change in your spouse's employment status. You must report the event and your changes within 30 days of the occurrence. You can get the required form from your HR department.

## **"Use it or lose it"**

IRS rules make flex plans, including the HCRA and DCRA options, subject to what are known as the "use it or lose it" rules. This means that any remaining dollars in your account at the end of the run-out period will be forfeited (with expenses needing to be incurred by yearend). There is no rolling forward of your account balance. For this reason, you should conservatively set aside dollars for the year's planned expenses only.

## **Social security and income tax effects**

Expenses that are reimbursed through the plan cannot be used to claim available credits and deductions on your tax return (no "double-dipping"). In addition, since the flex plan saves you tax dollars by reducing your taxable income, your future social security benefits may be moderately reduced. In nearly all instances, the current tax savings far outweigh the loss of future benefits.

## **Restrictions on over-the counter (OTC) drugs**

To be reimbursable, purchases of OTC drugs and medicines now require a doctor's prescription, letter, or SuperiorUSA's Medical Necessity Form, as proof of medical condition or need. While the prescription or form does not relate to medical insurance, it needs to be submitted to SuperiorUSA with the OTC claim and receipt or already be on file for the current plan year. OTC equipment, supplies, and kits, are unaffected.

## **Know your balance at all times**

With SuperiorUSA as your flex administrator, you have several ways to track your balance: 1) with each reimbursement your balance will show on the stub; 2) via reminder statements sent towards the end of the year; 3) via our website where your balance is always available and up-to-date.

## **Termination of employment**

Upon termination of your employment or your loss of eligibility, your HCRA is generally subject to COBRA, which means you can elect to continue coverage. Your DCRA is not subject to COBRA.

## **Contact SuperiorUSA regarding orthodontia**

There are additional requirements due to the extended nature of orthodontic procedures which often requires advance guidance from SuperiorUSA.

## **Refer to your specific plan provisions**

This enrollment booklet is provided by SuperiorUSA for participants' informational purposes only and is in no way intended to constitute legal, tax, or accounting advice. Refer to your Plan Specs Sheet and/or Summary Plan Description (SPD) for the specific and controlling provisions governing your plan, including annual election limits, available benefits, plan year dates and deadlines, and reimbursement frequency.

# SUPERIORUSA

C O R P O R A T I O N

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**If you have any questions, please contact SuperiorUSA at (218) 529-2477, or toll free at (877) 529-2477, or visit our website for more information, useful tools, plan forms, and participant access.**



# Enrollments and Reimbursements

Now that you've learned what your employer's flex plan is, what expenses it works for, and how it can increase your take-home pay, it's time to learn how to sign up and get the savings underway!

## 1. Enrolling in the plan

Your next steps are to 1) use the Annual Election Worksheet on the next page (pg. 6) to help estimate your eligible expenses, then 2) complete an enrollment form, and if necessary 3) complete a direct deposit authorization with SuperiorUSA. That's it. It's really that simple!

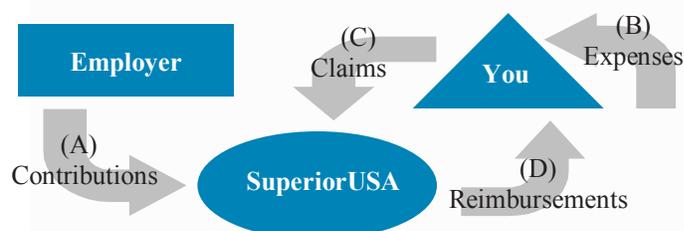
### Claims Submission Tips

- You must use a claim submission form. Read all instructions and complete and submit all required parts, including necessary substantiation.
- You should only fax or mail copies of your documentation. Keep the originals for your tax records.
- Make sure your identifying information is listed on each page you submit with your claim.
- Keep your address and phone number updated.
- Medical claims must list dates of service, services rendered, and amounts incurred. Register receipts must be itemized to show the specific charges.
- OTC drug and medicine claims must include a doctor's prescription, letter, or our Medical Necessity Form, or already have one on file for the plan year.
- A signature is required. We are not allowed to process your claim request without one.

## 2. Getting reimbursed in the plan

Once you're enrolled, your employer and SuperiorUSA will set up your flex accounts in payroll so that your pre-tax contributions can start once the plan year begins (Step A below).

Subject to the rules for the HCRA and the DCRA, after you incur eligible expenses (Step B) you can submit (fax or mail) claim forms and necessary substantiation to SuperiorUSA for adjudication and approval (Step C). If your claim is valid and submitted in good order, you'll receive your reimbursement (Step D) based on your preferred payment method (check or direct deposit). Reimbursements are made in the frequency listed on your Plan Specs Sheet. If all or a portion of your claim is denied you'll receive notice with instructions on how to correct your claim.



# Frequently Asked Questions

**Q. Do I have to re-enroll if I'm already in the flex plan this year?** A. Yes, everyone must re-enroll each year with new annual elections for the HCRA and DCRA options.

**Q. Can I use the flex plan even if I don't use my employer's medical insurance and/or my spouse has a flex plan?** A. Yes, as long as you meet the basic eligibility requirements listed in the SPD. The flex plan will be even more valuable to you if you're going to incur extra out-of-pocket costs. Also, you are allowed to have access to another flex plan through your spouse.

**Q. If I set aside part of my pay, won't I make less money?** A. No, your net take-home pay will actually increase by the amount of the taxes you didn't owe.

**Q. Why should I enroll in my employer's flex plan?** A. The plan provides a unique opportunity to pay many of your everyday expenses with pre-tax dollars, which saves taxes, and increases your take-home pay.

**Q. If I don't enroll now, can I enroll mid-year?** A. Generally, no, once the plan year begins, the IRS considers a non-enrollment as a "zero" annual election, so you won't be able to change your election unless you have a qualifying change of status event.

**Q. Will my account balance rollover to the new year at yearend?** A. No, flex plans are subject to the "use it or lose it" rules. Any remaining dollars in your account are forfeited if not reimbursed to you by the end of the run-out period.

# Annual Election Worksheet

Now that you know about the many ways that your employer's flex plan can help you take home more of what you earn, take a moment to fill out this Annual Election Worksheet to help you estimate how much money to set aside in the plan. You can even estimate how much you'll save in taxes!

Simply budget for the amounts you'll spend on each type of expense, then add up each category, and calculate your total annual expenses and tax savings. After completing the worksheet, you can use your results to complete your enrollment form for both the Health Care Reimbursement Account (HCRA) and Dependent Care Reimbursement Account (DCRA).

Remember to include expenses for yourself, your spouse, and your dependents (up to age 26, regardless of student or marital status). Be conservative and only budget for known expenses since money left in your account at the end of the year will be forfeited. Expenses paid for by insurance, reimbursed already by another plan, or used to claim tax credits and/or deductions, cannot be claimed again in this plan.

## Health Care Expenses (for your HCRA)

### Medical (amounts not paid by insurance)

Deductibles, co-payments, and co-insurance \_\_\_\_\_  
 Doctor, clinic, and hospital visits \_\_\_\_\_  
 Prescription drugs (regulated or for insurance) \_\_\_\_\_  
 Over-the-counter (OTC) supplies and equipment \_\_\_\_\_  
 OTC drugs (doctor's prescription required) \_\_\_\_\_  
 Lab, x-ray, and exam fees \_\_\_\_\_  
 Maternity and well-child care \_\_\_\_\_  
 Chemical dependency programs \_\_\_\_\_  
 Mental health care \_\_\_\_\_  
 Physical therapy and chiropractic fees \_\_\_\_\_  
 Hearing exams and equipment \_\_\_\_\_  
 Transportation and mileage for health care \_\_\_\_\_  
 Other medical expenses \_\_\_\_\_  
**TOTAL \$ \_\_\_\_\_ (A)**

### Dental (amounts not paid by insurance)

Co-payments, checkups, and exam fees \_\_\_\_\_  
 Fillings, bridges, and crowns \_\_\_\_\_  
 Braces, retainers, and other orthodontia \_\_\_\_\_  
**TOTAL \$ \_\_\_\_\_ (B)**

### Vision (amounts not paid by insurance)

Co-payments, checkups, and exam fees \_\_\_\_\_  
 Corrective eye surgery and LASIK \_\_\_\_\_  
 Frames, lenses, and prescribed sunglasses \_\_\_\_\_  
 Contact lenses and solution \_\_\_\_\_  
**TOTAL \$ \_\_\_\_\_ (C)**

## Dependent Care Expenses (for your DCRA)

Dependent child daycare \_\_\_\_\_  
 Dependent adult and elder care \_\_\_\_\_  
 Day camps and pre-school \_\_\_\_\_  
**TOTAL \$ \_\_\_\_\_ (D)**

## Estimated Total Expenses and Tax Savings

Total health care expenses (HCRA), add A + B + C \_\_\_\_\_  
 Total dependent care expenses (DCRA), add D \_\_\_\_\_  
 Total other reimbursable expenses, if applicable \_\_\_\_\_  
**TOTAL ANNUAL EXPENSES \$ \_\_\_\_\_ (E)**  
 Estimated tax bracket percentage, see table below \_\_\_\_\_ % (F)  
**Total annual tax savings, multiply E x F \$ \_\_\_\_\_ (G)**  
 Annual number of paychecks (i.e. 52, 26, 24, or 12) \_\_\_\_\_ (H)  
**Tax savings per paycheck, divide G by H \$ \_\_\_\_\_**

### Estimated Tax Table

Annual Household Earnings	Estimated Tax Rate
< \$30,000	25%
\$30,000-\$45,000	32%
\$45,000-\$60,000	37%
\$60,000-\$100,000	40%
> \$100,000	45%

\*\* Based on a combined social security, federal, and state income tax rate \*\*

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