

FLEXIBLE SPENDING REIMBURSEMENT ACCOUNTS

QUESTIONS & ANSWERS

Q. HOW DOES THE FLEXIBLE SPENDING ACCOUNT WORK?

A. Although it may sound confusing at first, the plan really is simple.

- First, estimate your expected medical and/or dependent care expenses for the year.
- Next, decide how much you want to deposit into your Medical Care Reimbursement Account and/or your Dependent Care Reimbursement Account.
- Each pay period, the amount you designate is withheld from your paycheck **before** taxes are taken out, and deposited into your own individual account(s).
- After you incur eligible expenses and submit your claims, the money in your account(s) is paid back to you **tax-free**.

Q. WHAT HAPPENS TO MY W-2?

A. At the end of the year, your W-2 will show your annual earnings **less** the deposits you made to the Flexible Spending Account. Because the deposits are not part of your taxable income, you are not liable for federal, State or Social Security taxes, on those amounts.

Q. HOW DO I RECEIVE REIMBURSEMENT FOR MY EXPENSES?

A. You may use your MBI Debit Card wherever eligible providers accept MasterCard, or you may submit manual claims to Beneflex, Inc., at any time during the plan year. Reimbursement checks will be issued for properly submitted claims on a bi-weekly basis.

For debit card transactions: The IRS requires you to retain any receipts while using your MBI Debit Card for eligible expenses/purchases. For manual claims: You will also be required to submit proof that your claims are valid on the claim forms which will be provided by Beneflex, Inc. Specific requirements for each account are as follows:

Medical Care Reimbursement Account: You may use your MBI Debit Card to pay for FSA eligible services\products or you can complete a claim form and attach an itemized bill for the expenses being claimed. You must also provide an Explanation of Benefits notice from your health insurance provider showing that the claim has been submitted to insurance and denied. All health care claims must **first** be submitted to your health insurance plan for reimbursement before being submitted for reimbursement from this plan. **You may claim the full amount of your annual contribution election at any time during the plan year, regardless of the balance in your account.** The full amount will be reimbursed and your contributions to the account will continue for the balance of the year.

Dependent Care Reimbursement Account: You may use your MBI Debit Card to pay for daycare services or you can complete a claim form and supply the name, address, and Tax I.D. Number of the care provider. You must also provide a statement or receipt from the provider confirming the amount of your dependent care expenses being claimed.

Q. HOW DO I ENROLL IN THE PLAN?

A. An enrollment form is included with this packet. The form can be used for both the medical care reimbursement account and the dependent care reimbursement account. Once you decide on your annual contribution, divide the total by the number of pay periods. This will be the amount you will contribute "per-pay".

Q. WHAT IS THE MAXIMUM AMOUNT I MAY CONTRIBUTE TO THE PLAN?

A. The maximum amount you may contribute to the medical care reimbursement plan is **\$ 4,000** for the plan year. The maximum amount you may contribute to the dependent care reimbursement account is **\$5,000** for the year. If your spouse is enrolled in a similar plan through their employer, the total amount you may claim for the year between both plans is \$5,000. If you are married and filing a separate tax return, the maximum you may contribute is \$2,500. Additionally, if you or your spouse earn less than \$5,000 for the plan year, you are limited to the lower salary amount for deposit to the dependent care reimbursement account.

Q. WHAT QUALIFIES AS AN ELIGIBLE MEDICAL CARE EXPENSE?

A. Some examples of eligible reimbursable expenses include: deductibles and co-insurance amounts, fees in excess of reasonable and customary charges, routine physical examinations, eye exams and glasses or contact lenses, dental and orthodontic charges, specific over-the-counter medications and special items such as guide dogs for the blind. Some examples of charges that are **not** eligible for reimbursement are: health club dues (for general well-being), cosmetic surgery and some weight-loss products.

We have included a more detailed list of examples of reimbursable expenses within this packet. For a more complete list, you may obtain the IRS Publication 502 from your local IRS office.

Q. WHAT QUALIFIES AS AN ELIGIBLE DEPENDENT CARE EXPENSE?

A. To use the dependent care reimbursement account you must be:

- A single parent, or
- Married with a spouse who is not able to provide the care because he or she is:
1) gainfully employed, 2) a full-time student, or 3) mentally or physically disabled.

In addition, eligible dependents must:

- Live with you
- Require care while you work
- Be claimed as a dependent on your income tax return (in some cases of divorce or separation, you may use the account if you have custody of a child even if you do not claim the child as a tax deduction.)
- Be your (or your spouse's) child younger than 13, or
- Be a dependent of any age who cannot care for themselves because of a physical or mental disability.

Under IRS regulations, you can subtract a percentage of your eligible dependent care expenses from your federal income taxes. For a combined family income of less than \$35,000, you may want to claim the Child Care Credit on your income tax. Please consult a tax professional for guidance. For a more complete description of eligibility rules for dependent care expenses, you may obtain IRS Publication 503 from your local IRS office.

Q. MAY I CHANGE THE AMOUNT OF MY CONTRIBUTION DURING THE PLAN YEAR?

A. Changes in the amount of your contributions to the medical care reimbursement account and/or the dependent care reimbursement account are allowed **only** in the event of a qualified “life event” (change in family status). Such events include:

- The birth, adoption, or death of a dependent child
- Marriage or divorce
- The death of your spouse
- A change in the status of your spouse's employment or health coverage
- A change in your employment status

If you incur a qualified “life event” (change in family status), you must request a change in your account within 30 days of the event. Furthermore, the change to your account must be consistent with the change in family status.

Q. WHAT IF I DON'T USE ALL THE MONEY IN MY ACCOUNT(S) BY THE END OF THE PLAN YEAR?

A. If you do not use all the money in your account by the end of the plan year, you now have until December 15th of the new plan year to use the balance. If you still have a balance remaining after December 15th of the new plan year, you will be required to forfeit the remaining balance. **It is very important to plan carefully and conservatively when making your plan elections for the year.**

Q. WHAT HAPPENS IF I TERMINATE MY EMPLOYMENT?

A. Your deposits will stop with your last paycheck. If you have a balance in your account, you may continue to submit claims for reimbursement for expenses incurred **prior** to your date of termination. These claims must be submitted for reimbursement within 90 days of your termination, with dates of service up to and including your termination date. Any funds remaining in your account after that will be forfeited. You may also elect to continue your contributions to the plan on an **after-tax** basis in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA).

Q. WILL PARTICIPATION IN THE FLEXIBLE SPENDING REIMBURSEMENT ACCOUNTS AFFECT MY FUTURE SOCIAL SECURITY BENEFITS?

A. Contributions made to this plan may have a slight effect on your Social Security benefit. If your annual compensation is less than the Social Security taxable wage base, you or your family may receive a slightly smaller Social Security benefit at retirement, disability or death. However, since Social Security benefits are based on your earnings over your lifetime, contributions to this plan should have minimal effect on your final benefit.

Q. HOW DOES THE MBI DEBIT CARD WORK?

A. The Debit Card system enables employees to use the debit card only at eligible FSA locations wherever MasterCard is accepted. There is no need to send in a paper claim. You are reimbursed automatically and immediately when you swipe the card. Please remember to swipe the Debit Card as a **“Credit”** on the credit card machine at the point of sale.

If your company chooses to use the MBI Flex Convenience Card, you can receive reimbursement for any eligible expense immediately at point-of-service without submitting a paper claim. However, you will need to keep all of your receipts on file for one year for auditing purposes.

Q. HOW DO I RECEIVE REIMBURSEMENT FOR MY EXPENSES?

A. Medical Care Reimbursement Account: You may swipe the card at the doctor’s office or several other locations. Push the **Credit** button on the machine, and the transaction will go through. Beneflex, Inc. monitors the transactions on a daily basis. If a transaction is questionable, you will be notified by mail or email and required to submit proof that your claims are valid by mailing in the receipt(s) for Beneflex, Inc. to review.

Dependent Care Reimbursement Account: The card can be used for Dependent Care expenses at daycare centers that have a MasterCard machine. Please note that for Dependent Care Expenses you will only be reimbursed the amount of your year-to-date contributions.

If your provider does not accept MasterCard, save your receipt, attach it to a signed reimbursement form and mail both to Beneflex, Inc. We will issue you a check for the amount.

Q. HOW DO I RECEIVE A DEBIT CARD?

A. An enrollment form is included with this packet. The form will have a box to check if you would like to receive a card. If you would also like a card for your spouse, please include your spouse's Social Security number. New cards are not issued each year. *Please keep your card for the next plan year.*

Q. WHERE CAN I 'SWIPE' THE CARD?

A. The Debit Card can be used at doctor and dentist offices as well as pharmacies and vision service locations, and also for Dependent Care expenses where a MasterCard machine is available.

Q. WHAT IF I SWIPE THE CARD FOR AN INELIGIBLE EXPENSE?

A. Your card is either denied at the point-of-service or you must repay the ineligible expense to the plan.

To view a presentation for Flexible Spending Accounts, go to www.mbibenefits.com and click on Employee Briefing.

After receiving your card, you may view your account online 24 hours a day by accessing www.mbicard.com. You can view account balances, transactions and print statements.