

EXAMPLES OF ELIGIBLE MEDICAL OR MEDICAL-RELATED EXPENSES

The following, while not intended to be complete, illustrates medical-related expenses which may be claimed as part of the Plan. Cosmetic products/surgery and other similar procedures are not eligible expenses. **Effective January 1, 2011**, over-the-counter (OTC) medications must be accompanied by a doctor's prescription. This new legislation affects OTC medications only. Most other supplies are still eligible for reimbursement. If you have a question regarding the eligibility of an expense contact BAC at (800) 282-5246.

- Acupuncture
- Alcoholism treatment
- Allergy medicines
 - * Antiacids
 - * Artificial limb(s)
- Bandages
- Birth control pills
- Birth prevention surgery
- Braces
- Braille - books and magazines
- Care for mentally handicapped children
- Christian Science practitioner's fees
- * Cold medicines
- Co-insurance payments
- Condoms
- Contact lenses & solution
- Crutches
- Deductibles
- Dental fees
- Dentures
- Diagnostic fees
- Eyeglasses, including examination fee
- Fees of practical nurses
- Fees of Chiropractors
- Fees of licensed Osteopaths
- * First aid creams
- * Flu shots
- Hearing aids
- * Incontinence supplies
- Insulin
- Laboratory fees
- Laetrile by prescription
- Lasik
- * Nicotine gum and patches
- Obstetrical expenses
- Operations
- Orthodontia
- Orthopedic shoes
- Oxygen
 - * Pain relievers
- Physical exams
- Physical therapy treatments
- Physician fees
- Physician prescribed weight loss programs
- Prescribed medicine
- Psychoatric care
- Psychoanalysis
- Psychologist fees
- Retarded persons cost for special home
- Routine physicals and other non-diagnostic services or treatments
- Seeing-eye or aid dog and its upkeep
- Smoking cessation programs
- Special communication equipment for the deaf
- Special diets (Physician prescribed for medical reasons other than general health)
- Special education for the blind
- Sterilization fees
- Surgical fees
- Therapeutic abortion
- Therapeutic care for drug and alcohol addiction
- Tuition at special school for handicapped
- Wheelchair
- Wigs (Physician prescribed)
- X-rays

* Prescription required effective 1-1-2011

MEDICAL EXPENSES NOT ELIGIBLE FOR REIMBURSEMENT

- Cosmetic products/surgery and other similar procedures
- Employee or Spouse health care premium contributions
- Toiletries and personal care items
- Life insurance premiums

Planning the use of your reimbursement accounts

It is important to be conservative in estimating the amount of money you set aside.

Under current tax laws, if there is any money left in any account at the end of the plan year, it will be forfeited.

An employee should also be aware that the election is irrevocable for the plan year.

Once the payroll deductions have begun, the participant cannot change the amounts or drop out of the plan unless he or she terminates employment or has a "change in status". A "change in status" includes:

- Legal marital status events—marriage, divorce, death of a spouse, legal separation or annulment
- Number of dependents—birth, adoption, death of a dependent
- Employment status events—change in employment status of a spouse, strike or lockout, change in worksite
- In certain circumstances, change in place of residence.

A revocation and a new election must be consistent with a change in status.

How is Benefit Administration Corporation (BAC) associated with the Plan?

BAC processes claims, maintains the individual participant account records and issues the reimbursement checks. In addition, BAC prepares periodic statements for each participant which reflect contributions made, claims paid and remaining balances. Consultants at BAC are available to answer questions at (800) 282-5246.

Register and check your account on our web site www.benefitadministration.com. Select the "Cafeteria Plans" tab to view. Go to LINKS, Account Access and use the login instructions.

flexible Benefits



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Since 1953

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What is a Flexible Benefits Plan?

A Flexible Benefits Plan is a cafeteria plan pursuant to Section 125 of the Internal Revenue Code. In general, the Plan is funded on an employee salary reduction basis. It permits eligible employees to reduce their cash compensation and instead receive insurance premium pass-through, medical reimbursement and dependent care assistance benefits. These benefits are expected to be free from federal and state income tax, and not subject to federal social security (FICA and FUTA) withholding tax.

Under this Plan you can take advantage of three flexible benefits that can help you save taxes. It's your choice!

1. Pre-Tax Health Insurance Premium Deductions
2. Out-of-Pocket (unreimbursed/uncovered) Medical Expense Deductions
3. Dependent Care Expense Deductions

You never pay taxes on money you have deducted on a pre-tax basis.

What can this Plan do for you?

- Reduce your taxable salary and increase your take-home pay
- Increase your spendable income
- Allow you to afford better dependent care (work-related child care or elder care)

How can this Plan help you save money?

- Choose to have your premiums for employer sponsored health plans (generally medical, vision and dental) deducted from your paycheck before taxes.
- Choose to have money (in an amount you specify) deducted from your paycheck before taxes. This money will be set aside in a Flexible Spending Account (FSA) for you to claim for qualified expenses.

What is a Flexible Spending Account (FSA)?

The Flexible Spending Account (FSA) allows you to pay medical and dependent care expenses with pre-tax dollars. As a result, you pay less Federal, State and Social Security taxes—and you have more take-home pay. There are two FSA accounts:

1. Unreimbursed Medical Expenses Account. This FSA may be used to reimburse medical expenses such as deductibles, co-payments and many other eligible expenses.
2. Dependent Care Account. In this FSA you are allowed to set aside up to \$5,000 tax-free per plan year for eligible dependent care expenses.

How does an FSA work?

You may choose one or both of the flexible spending accounts. To enroll, simply complete the Employee Enrollment Form. Once you have decided how much to put into each account, money is deducted from your paycheck each pay period on a pre-tax basis and put into the FSA account(s).

As you incur eligible expenses, you must submit a Request For Reimbursement Form with receipts attached in order to be reimbursed. For a claim to be eligible for reimbursement, the service must be provided in the plan year. Funds in the FSA accounts cannot be transferred between the accounts.

If an employee is participating in the Dependent Care Spending Account, the employee should consult their tax advisor to determine whether the tax credit or the pre-tax spending account is more beneficial for them.

How much can you save under this Plan?

It depends on how much money you have deducted before taxes from your salary and your income tax bracket. The higher your income tax bracket, the more taxes you save!

SAVE!

The following is an example showing how a single employee with two dependents can increase his or her spendable income through a Flexible Benefits Plan

Example: Michael Employee is married with two dependents. He earns \$3,000 per month and pays \$500 per month for health care premiums, dependent care and medical expenses.

	With Flexible Benefits Plan	Without Flexible Benefits Plan
Monthly Salary	\$3,000	\$3,000
Less: Health Premium	150	
Unreimbursed Medical Expense	50	
Dependent Care Expense	300	
Taxable Income	\$2,500	\$3,000
Less: Federal, State & FICA Taxes @ 28%*	700	840
Gross Take-Home Pay	\$1,800	\$2,160
Less: Health Premium		150
Unreimbursed Medical Expense		50
Dependent Care Expense		300
Net Take-Home Pay	\$1,800	\$1,660

Savings per month with the Plan **\$140**

*Individual tax rates will vary. Please consult your tax advisor for an estimate of your tax rate.