


TO: Employees covered by Stark County Schools Council of Governments Health Insurance

FROM: Larry Morgan, Chairperson 

DATE: November 19, 2013

RE: **Section 125 change**

The U.S. Department of the Treasury and the IRS has issued a notice that allows the COG to modify the "use-or-lose" rule for health flexible spending accounts. It would permit participants to carry over up to \$500 of their unused balances remaining at the end of a plan year. The COG is adopting this change in order to benefit our districts' employees.

Attached is more detailed information.

Vision - Service - Leadership



Dear Employee:

Last week the US Treasury Department modified its FSA “use-it-or-lose-it” provision to allow rollover of FSA funds. That means it’s the perfect time for you to take a closer look at a Healthcare Flexible Spending Account (FSA), a valuable benefit that helps you pay for health-related, out-of-pocket costs not covered by your insurance.

THE NEW
FSA

Use-it or Roll-Over \$500. The new FSA ruling means that the risk of losing your FSA healthcare contributions at the end of the year is reduced. You are now able to roll over up to \$500 into the following plan year. Plus, the FSA rollover provision eliminates the mad scramble at the end of the year to spend remaining FSA funds.

~~USE OR LOSE~~
Roll over \$500

Real Savings. Real Simple. Flexible Spending Accounts are a great way to stretch your benefit dollars. They allow you to use **before-tax** dollars to reimburse yourself for eligible out-of-pocket medical and dependent care expenses which saves you on taxes and increases your spendable income. You elect to have your annual contribution¹ deducted from your paycheck each pay period, in equal installments throughout the year—before federal income, state income (in most cases) and Social Security taxes are taken out—until you reach the yearly maximum you have specified. The amount of your pay that goes into an FSA will not count as taxable income, so you will have immediate tax savings.

Even with just a few hundred dollars of expenses, you’ll be surprised at how much you can save. For example, an average family of four in the U.S. can expect to pay close to \$3,500 in out-of-pocket medical expenses. An *individual* contribution to an FSA is a maximum of \$2,500 per plan year, so if two wage earners in the family each set aside \$1,750 in a healthcare FSA, that’s a tax savings of nearly \$1000 for the family.²

Out-of-Pocket Expenses	Annual Average	Taxes Saved (27% Tax Bracket)
Physician	\$1,110	\$299
Inpatient Hospital	\$1,115	\$301
Pharmacy	\$555	\$150
Outpatient Hospital	\$560	\$151
Other	\$130	\$35
Total	\$3470	\$936

¹ According to the U.S. Internal Revenue Service guidelines, each employee can contribute a maximum of \$2,500 per plan year. For more information, visit www.irs.gov/irb/2012-26_IRB/ar09.html.

² The amount you save in taxes with a Flexible Spending Account will vary depending on the amount you set aside in the account; your annual earnings; whether or not you pay Social Security taxes; the number of exemptions and deductions you claim on your tax return; your tax bracket and your state and local tax regulations. Check with your tax advisor for information on how participation will affect your tax savings.



Your FSA also comes with a Prepaid Benefits Card, which is pre-loaded with the value of your annual FSA election amount. Simply swipe your Card at the time of purchase and the amount of your eligible expense will be automatically deducted from your account. You'll have no claim forms to complete and you won't have to wait to get a check in the mail. There are tens of thousands of merchant locations where you can use the Card for prescription and eligible OTC out-of-pocket expenses,³ and you will NOT have to provide a receipt to verify the purchase!

Plan Carefully. Before you enroll, you must first decide how much you want to contribute to your account(s). You will want to spend some time estimating your anticipated eligible medical and dependent care expenses for the 2014 calendar year, as the new regulations state that you may only roll over a maximum of \$500 at the plan year end.

Sign up today, and let the savings begin!

You can use the Card to pay for eligible out-of-pocket expenses such as:

- Prescription and health plan copayments, deductibles and coinsurance
- "Amount Due" on medical and dental statements
- Orthodontics
- Mail-order or online prescription invoices
- Vision services, eyeglasses and LASIK surgery
- Medical supplies, such as bandages
- Eligible over-the-counter (OTC) items³



³ The list of eligible OTC items changed per the Patient Protection and Affordable Care Act of 2010. Contact your Plan Administrator for more information.

NOTICE: IRS Allows Rollovers Up To \$500!

October 31, 2013:

The U.S. Department of the Treasury and the IRS issued a notice modifying the longstanding “use-or-lose” rule for health flexible spending accounts (FSAs), to make health FSAs more consumer-friendly and provide added flexibility. The updated guidance permits plan participants to carry over up to \$500 of their unused health FSA balances remaining at the end of a plan year.



Questions & Answers:

Q. How does it work?

A. In a landmark change, the Department of the Treasury and IRS are allowing unused FSA balances up to \$500 to be rolled over.

Q. Does the rollover affect my new election?

A. No. The IRS maximum election is \$2,500 regardless of the rollover. If you have \$350 left in last year's plan, those funds rollover and add to your current election.

(Example: \$2,500 + \$350 = \$2,850).

Q. What happens if I have \$800 left over in last year's plan?

A. If you do not have any qualifying expenses to submit against last year's plan then \$500 will rollover and \$300 will be forfeited.

Q. When will the rollover hit my account?

A. Rollovers cannot be executed until after the claim filing deadline has passed. Expect the rollover to happen approximately 45 days after the claim filing deadline (see your Plan Highlight Sheet for more information).

Q. Is there anything I need to do?

A. No. Vantage Financial will automatically rollover your unused FSA balance (up to \$500) once the previous plan year is officially closed.

Q. What happens next year, can I rollover \$1,000?

A. The yearly rollover is limited to \$500. A one-time \$500 election can continue to rollover year after year as long as you remain an employee of your company (a new election is not required).

Q. Does the rollover apply to all accounts?

A. No, Dependent Care Accounts are not subject to the rollover.

Customer Service

Phone: (877) 289-0448

Email: csflex@vanfin.com

Monday - Friday 8:15am - 4:45pm EST



Stark County Schools C O G Plan Highlight Sheet

This Plan Highlight Sheet provides a quick reference to some of the most common information regarding your Flexible Spending Account(s). This information is also referenced throughout the Enrollment Handout provided to you during open enrollment and within the claim kit materials you will be receiving.

If you have any questions or need further assistance, please contact a member of the VFGPS, Inc. Customer Service Team at 1-877-289-0448.

Plan Year:	January 1 st – December 31 st
Eligibility Guidelines:	Any employee who has satisfied the conditions for coverage under the group health plan.
Waiting Period:	Same as the group health plan.
Plan Maximums:	Medical Flexible Spending: \$2,500.00 Annually <ul style="list-style-type: none"> • Due to a change in the IRS Guidelines all future elections to the Medical Flexible Spending Account will be limited to an annual maximum of \$2,500.00. Dependent Care Flexible Spending: \$5,000.00 Annually
Reimbursement Options:	Check, Direct Deposit, or Debit Card
Reimbursement Schedule:	1 st and 15 th of each month
Claim Filing Deadline for Terminated Employees:	Claims must be postmarked or faxed by March 31st. Remember that the remaining contributions for your Medical Flexible Spending Account will be withheld from your final paycheck as you are responsible for the entire annual election amount.
Claim Filing Deadline at the End of the Plan Year:	<ul style="list-style-type: none"> • A Rollover Provision has been added to the Plan to allow participants to rollover up to \$500 of their remaining funds from the prior Plan Year. • The filing limit deadline is March 31st. • The rollover will be applied to your 2014 account approximately 45 days after your claim filing deadline (approximately May 15th).
Website and log on information:	www.MyVantagePlan.com User Name: flexplan Password: flexplan
Claim Submission:	Mail: Vantage Financial Group Plan Services, Inc. 6200 Rockside Road, Suite 100 Cleveland, OH 44131-8082 Fax: 1-216-642-4863 Online: www.MyVantagePlan.com (see your Enrollment Guide for more information) Email: Visit www.MyVantagePlan.com for more information (Do not use csflex@vanfin.com .)
Customer Service:	Phone: 1-877-289-0448 Email: csflex@vanfin.com

NOTE:

The debit card may be used for immediate reimbursement of eligible medical or dependent care expenses at benefit-related providers/merchants. **Remember that debit card transaction receipts must still be saved.** If you are not using your debit card to pay for an eligible expense and are instead filing a manual claim, a copy of the original receipt must be submitted for reimbursement. The receipt must include the vendor/merchant name, date of purchase/service, a description of the product/service and the amount paid.

Effective 1/1/11: Employees with an FSA can no longer use their account funds to purchase OTC medicines, drugs and biological treatments unless they have a prescription from their doctor. See www.MyVantagePlan.com for additional information.