

# Health Care Flexible Spending Account



Employees **MUST ENROLL** in the HCFSAs each year.

A Health Care Flexible Spending Account (HCFSAs) helps an employee save money on taxes by paying for eligible out-of-pocket medical, dental, vision, or other qualifying expenses for the employee and his/her eligible dependents (as defined by the IRS) with pre-tax dollars.

The maximum amount an employee can contribute is \$120 – \$2,700 (as determined by the IRS). NCFlex deducts employees' annual contribution amounts (in equal portions) from their paychecks throughout the plan year. However, an employee's entire annual election amount is available to him/her on the first day of the plan year or the first day benefits become effective.

Employees who enroll in the HCFSAs will receive a debit card, the NCFlex Convenience Card. The card makes it easy to access the funds in the HCFSAs. See [page 12](#) for more information.

## HCFSAs Rollover Feature

If an employee participated in the HCFSAs in 2019, up to \$500 of the unused account balance from 2019 will roll over to pay eligible expenses in 2020. If an employee did not re-enroll in the FSA for 2020, he/she cannot make new contributions, but may still use these rollover funds. This rollover feature only applies to the HCFSAs, not to the DDCFSAs.

For the 2020 plan year, expenses must be incurred between January 1 and December 31, 2020, to be eligible for reimbursement. Employees have until April 30, 2021, to submit claims for reimbursement. Employees can roll over up to \$500 of unused account balances into 2021 as long as they have a minimum balance of \$25. Any funds exceeding this amount will be forfeited.

## Eligible and Ineligible Expenses

Go to [www.ncflex.org](http://www.ncflex.org) for a sample list of eligible and ineligible expenses. To access the IRS list of expenses, visit [www.irs.gov/publications/p502](http://www.irs.gov/publications/p502).

### Eligible Health Care Expenses\*

Employees may use the HCFSAs for reimbursement of the following out-of-pocket health care expenses incurred during the plan year:

- Deductible(s) and copayments for the employee's health plan or his/her qualifying relative's plan.

- Coinsurance for any medical or dental bills after the deductible is met.
- Any amounts employees are required to pay after reaching the maximum benefit under a medical or dental plan.
- Over-the-counter medicines, vitamins, and supplements, **only with a physician's prescription.**
- Other allowable expenses including, but not limited to:
  - Dental expenses
  - Hearing aid and its batteries
  - Infertility treatment
  - Insulin and diabetic supplies
  - Mileage (\$0.20 per mile for 2019) to/from medical provider's office for treatment (For up-to-date rates, go to [www.irs.gov](http://www.irs.gov).)
  - Orthodontia
  - Prescription drugs
  - Refractive surgery (RK, PRK, LASIK)
  - Smoking cessation programs
  - Medical supplies
  - Tuition at a special school or specially trained tutor for disabled children
  - Vision expenses (exams, glasses, frames)
  - Weight reduction program (prescribed by doctor to alleviate a diagnosed medical condition or obesity), but plan food is not covered
  - Personal care items such as sunscreen (SPF 15+), bandages, shoe insoles, inserts, and cushioning

*\* Some health care expenses may require a letter of medical necessity written by an authorizing physician. There is a standard form available at [www.ncflex.org](http://www.ncflex.org) that an employee's physician can complete. Under the Health Care Reform Act, over-the-counter medications will not be eligible for reimbursement through the HCFSAs unless the employee has a doctor's prescription for the expense.*

### Ineligible Health Care Expenses

**Medical, dental, and other premiums cannot be reimbursed through the HCFSAs.** In addition, elective cosmetic procedures and similar expenses are not allowable expenses according to the IRS. Common ineligible expenses include:

- Over-the-counter medications, vitamins, and supplements, unless prescribed by a physician.
- Cosmetic procedures that are not to correct a congenital deformity or disfigurement due to an accident or disease.
- Dental procedures to whiten teeth.
- Weight loss programs, unless prescribed by a doctor to alleviate a diagnosed medical condition or obesity.

## Shop for Eligible Expenses Online at the FSA Store — and Save!

Employees can experience convenience and savings when they shop at the FSA Store, a one-stop shop that offers significant discounts on thousands of pre-approved eligible FSA products. The NCFlex Convenience Card can be used to purchase these items. Visit [ncflex.padmin.com](https://ncflex.padmin.com) to access the FSA Store today!

## How to Submit Health Care and Dependent Care FSA Claims

The Health Care and Dependent Day Care FSAs are administered by P&A Group. Employees have several claim submission options:

- 1 From a Smartphone or device:** Take a picture of the receipt or documentation. Download the **P&A Group mobile app** and log in. Go to the menu and tap **Upload Claim/Documentation** to submit claims. **OR** Log into [ncflex.padmin.com](https://ncflex.padmin.com) from the web browser and follow the prompts.
- 2 From a computer:** Log into the P&A Account at [ncflex.padmin.com](https://ncflex.padmin.com). Go to **Member Tools > Upload Claim > New Claim**.
- 3 By fax or mail:** Go to [ncflex.padmin.com](https://ncflex.padmin.com) to access the FSA claim form. When submitting a paper claim the employee must attach an itemized, third-party receipt or the insurance company Explanation of Benefits (EOB) form.

Fax: 1-877-213-8917  
Mail: Attn: NC FSA Plan  
17 Court Street, Suite 500  
Buffalo, NY 14202

*If a claim is reimbursable by a medical, dental, or vision plan, the employee will need to file a claim with that plan first.*

## Claim Reimbursements

Claims are processed each day, with the exception of holidays. Reimbursements are issued Monday through Friday. The next business day after the claim was adjudicated a reimbursement will be issued to the bank account on file.

Depending on how long the banking institution takes to process the payment, it may take an additional 2 to 4 days for the payment to appear in the participant's account. If P&A Group has the employee's e-mail address, they will automatically notify him/her when the claim is received and again when it is paid.

Employees may choose to pay for eligible health care expenses using the NCFlex Convenience Card. See *NCFlex Convenience Card* on [page 12](#) for more information.

Claim reimbursement is based on the date an employee receives eligible expenses, not the date he/she pays the invoice or the billing date, which must be between January 1, 2020 (the plan effective date) and December 31, 2020, provided the employee remains in the plan for all of 2020.

With the HCFSA, an employee can be reimbursed for the entire claim up to his/her plan-year election minus any previous claim reimbursements, even if that amount has not yet been deducted from pay. **FSA reimbursements are made by direct deposit. If an employee changes banks or switches accounts, they need to notify their HBR or benefits department to avoid payment delays.**

## Termination of Employment

If an employee terminates employment or coverage during the plan year, he/she may submit claims for services incurred before the coverage termination date. **Services incurred after the coverage termination date cannot be reimbursed unless the employee elects to continue coverage under COBRA.** In accordance with IRS regulation, any unused money in an employee's account is forfeited and remains with the state.

## Can a Spouse Have a Health Savings Account (HSA) if an Employee Has an HCFSA?

If an employee is enrolled in the HCFSA, his/her spouse cannot make or receive tax-favored HSA contributions. This is because the HCFSA is available to reimburse the qualified expenses of the employee and the employee's spouse and dependents, so a spouse's contributions to an HSA would violate IRS rules.

Contributions that are made by or on behalf of an individual who is HSA-eligible are considered "excess contributions" and a 6 percent excise tax is imposed on the HSA owner for all excess contributions.

## HCFSA Worksheet

Employees can use this worksheet to calculate the amount they want to contribute to the HCFSA for out-of-pocket expenses for the upcoming plan year. The HCFSA worksheet is also available online by visiting [www.ncflex.org](http://www.ncflex.org).

**Step 1** Based on records for the past few years, fill in the anticipated eligible expenses.

- If the expense is paid by a health care plan, enter the copayment and any deductible. For members enrolled in the State Health Plan, visit [www.bcbsnc.com](http://www.bcbsnc.com) to view current and prior year expenses. Members enrolled in the NCFlex Dental or Vision plans can visit the vendor online portals found on [www.ncflex.org](http://www.ncflex.org) to view prior year out-of-pocket costs.
- If the expense is not covered by the health care plan, enter the entire cost.

**Step 2** Add up the total annual expenses for the employee and his/her family (A + B + C = D).

**Step 3** Enter the amount (D) in the online enrollment system.

Cost For:	Employee	For Spouse	For Children
Medical plan deductibles	\$ _____	\$ _____	\$ _____
Medical plan copayments	\$ _____	\$ _____	\$ _____
Prescription drug copayments	\$ _____	\$ _____	\$ _____
Routine physicals/exams	\$ _____	\$ _____	\$ _____
Dental care/orthodontia	\$ _____	\$ _____	\$ _____
Vision care	\$ _____	\$ _____	\$ _____
Hearing care	\$ _____	\$ _____	\$ _____
Health services/supplies	\$ _____	\$ _____	\$ _____
Other eligible expenses	\$ _____	\$ _____	\$ _____
<b>Total Annual Health Care Expenses</b>	(A) \$ _____	+ (B) \$ _____	+ (C) \$ _____
<b>Annual Election (A + B + C = D)</b>	<b>D) \$ _____</b>		

(Enter amount D in eBenefits)

### Example of Tax Savings When Using an FSA

Annual Savings Example	With FSA	Without FSA
Annual Income	\$50,000	\$50,000
Annual Pre-Tax FSA Contribution	- \$2,000	- \$0
Annual Taxable Income	= \$48,000	= \$50,000
Annual Tax Withholdings (approximately 30% of the annual taxable income)	\$14,400	\$15,000
<b>Total Annual Savings</b> (approximately \$300 for every \$1,000 withheld in the FSA per year)	\$600	\$0

## Tax Considerations

The HCFSA is based on current tax laws. Employees should keep in mind the following tax considerations before participating in the HCFSA:

- Plan participation may affect future Social Security retirement benefits. This could happen if an employee's taxable pay, after spending account contributions are taken out, is below the Social Security Taxable Wage Base. For most employees, the immediate tax savings is of far greater benefit than the long-term impact on Social Security benefits.
- Participation in the plan will not affect the amount employees may contribute to a 401(k), 403(b), or 457 retirement plan.
- An employee cannot claim the same expenses through the HCFSA and on his/her tax return. Currently, only health care expenses over 10% of adjusted gross income are deductible for income tax purposes. But with the HCFSA, employees can save taxes immediately on the very first dollar not reimbursed by the health care plan.

**Note:** Check the IRS website for the latest information. Employees should consult their tax advisor on these issues as well as whether someone qualifies as an income tax dependent.