



How To Save On Medical & Child Care Expenses

A Gift from the IRS... Section 125 is an important part of the Internal Revenue Act of 1978 which Congress created to help make benefits more affordable.

How does it work?

When you participate in either or both plans, you choose a set dollar amount to have deducted from your gross income before any taxes are taken out! When you pay for an expense, send your receipt to ABS and they will reimburse you.

- Health Care Reimbursement (HCR) - Use this plan to pay for unreimbursed medical and dental expenses for you, your spouse, your dependents, and adult children who have not turned 27 during the employee's tax year.
- Dependent Care Reimbursement (DCR) - Use this plan for child or eldercare expenses. Eligibility is based upon your employment and/or student status.
- Limited Health Care Reimbursement (LMT) – Use for vision and dental claims in conjunction with a Health Savings Account (HSA).

How does my income increase?

The IRS lets you make deductions on a "pre-tax" basis. For example, if you contribute \$600 to an HCR and \$3,000 to a DCR that is \$3,600 of your annual salary that will not be taxed. You will not pay Federal, State (if applicable) and Social Security or Medicare taxes. For most people, that is a combined savings of 30%!

Use It or Lose It?

Because of the tax advantages, the IRS has strict guidelines as to how money in HCR and DCR may be spent. Plan wisely – you must use the money set aside during the plan year only for claims incurred during that plan year. Contact your employer to see if your company has implemented the optional 2 ½ Month Rule. This rule allows a bit more flexibility for claim reimbursement after the end of the plan year. It acts as an extension allowing you to incur claims up to 2 ½ months after the plan year has ended. Ask ABS for advice when you are planning your deductions. If you have enrolled in a Health Savings Account (HSA) for the first time you may not contribute to the HSA during a Plan Year that you are enrolled in an HCR even if that account is reduced to zero dollars.

Examples of Expenses Eligible for Reimbursement

This is a partial list of expenses that may be reimbursed through Health Care Reimbursement and Dependent Care Reimbursement. Employees can deduct expenses for themselves, their spouses, their eligible dependents and adult children who have not turned 27 during the employee's tax year! Sorry, but cosmetic services and/or items **cannot** be reimbursed.

Eligible Health Care Reimbursements: (abbreviated list)

Acupuncture

Alcoholism Treatment

Artificial teeth

Chiropractic Care

Co-Insurance

Contact lenses and solution

Fees for healing services

Fees for practical nurses

Hearing aids, devices & batteries

Infertility treatment

Laboratory fees

Laser eye surgery

Mileage to and from medical appts.

<i>Copays: Office, prescription, hospital (inpatient & outpatient), etc.</i>	<i>Oral contraceptives</i>
<i>Deductibles – medical and dental</i>	<i>Orthodontia (braces, etc.)</i>
<i>Dental work (un-reimbursed and non cosmetic)</i>	<i>Psychiatric care</i>
<i>Diabetic supplies and insulin</i>	<i>Psychologist fees</i>
<i>Diagnostic fees</i>	<i>Routine physicals</i>
<i>Durable medical supplies</i>	<i>Substance abuse treatment</i>
<i>Eldercare expenses</i>	<i>X-rays</i>
<i>Eyeglasses, prescription sunglasses</i>	

These Health Care Reimbursements REQUIRE A DOCTOR’S NOTE stating the specific medical condition that requires the recommended treatment:

<i>Braille books, magazines, keyboard, phones, etc.</i>	<i>Mouth guards</i>
<i>Companion dog for sight or hearing disabled</i>	<i>Orthopedic shoes</i>
<i>Electrolysis</i>	<i>Prosthetics</i>
<i>Health Club membership</i>	<i>Over the Counter medicines (require prescription)</i>
<i>Home Improvements</i>	<i>Swimming pool / spa installation & maintenance</i>
<i>Hypnosis</i>	<i>Telephone equipment for the hearing impaired</i>
<i>Lead based paint removal</i>	<i>Vitamin and Nutritive supplements</i>
<i>Massage Therapy</i>	<i>Weight loss programs</i>

**This is only a partial list. Other expenses may require documentation from your physician.*

Eligible Dependent Care Account Reimbursements:

(Dependent children must be under age 13)

Before/after school programs
Care for the mentally and physically disabled (See IRS eligibility guidelines).
Child care expenses
Day camp
Preschool

For a complete listing and explanation of eligible charges for these plans, please see IRS Publication 502 “Medical and Dental Expenses;” and 503 “Child and Dependent Care Expenses” or visit the website www.irs.gov

Calculate Your Expenses

Estimate your "out-of-pocket" medical, dental, vision expenses and over the counter medications (prescription required) for the coming year. Remember: you can include unreimbursed expenses for your spouse, dependents and adult children who have not turned 27 during the tax year of the employee.

Focus on the kinds of expenses you and your family normally schedule during the year. Remember that you will not get your unused funds back if you do not spend them on expenses incurred during that plan year.

Key Rules for Health Care and Dependent Care Reimbursement Accounts

HCR and DCR plans are a great way to s-t-r-e-t-c-h your paycheck and save on the cost of unreimbursed medical, dental and child or eldercare expenses for you and your family. The

IRS has rules for these plans, as they involve tax savings. For example, dependent children who are in daycare, after school care or day camps must be *under* the age of thirteen (13). In order to participate in the Dependent Care Program (DCR) parent/s must be gainfully employed, seeking gainful employment, or be full time students. We encourage you to visit us on the web at www.abs125.com or call ABS at (877) 732-8125 with your questions.

Limited Health Care Reimbursement versus Health Care Reimbursement

If you or your spouse is enrolled in a High Deductible Health Plan (HDHP) and a Health Savings Account (HSA) you may enroll in the Limited HCR for vision, dental claims and certain health screenings (see IRS Publication 969 and 502 for details) until the IRS statutory annual minimum HDHP deductible is met. After the IRS annual minimum HDHP deductible is met your Limited HCR turns into a full use Health Care Reimbursement and you can submit all qualified medical expenses from the date that the deductible was met.

1. SAVE ALL RECEIPTS for qualified expenses!

Submit your receipt(s) along with ABS's Reimbursement Request form. Your request may be mailed or faxed to ABS. ABS will reimburse you from your account. We recommend you save all your receipts in one place, perhaps in a file or envelope, to help you stay organized throughout the plan year. If you participate in a debit card program, you may still need to submit a receipt, so the same recommendation applies. It is important to save your *original* receipts as you would save any tax document. Send **copies** of receipts for submitting reimbursement requests.

Copies of Receipts must show:

- Name and address of the service provider
- Date service/expense was incurred
- Name of the person for whom the service/expense was provided
- Detailed description of the service/expense provided
- Amount charged for the service

Acceptable receipts include:

- Receipts for office co-payments
- Receipts for prescriptions
- Explanation of Benefit (EOB) statements from your insurance carrier showing the amount or percentage of a dental or medical charge you owe (i.e. deductibles, co-insurance payments, etc.)
- Receipts from daycare, home daycare, preschool programs, before & after school care, day camps, or eldercare facilities

Please note: The IRS does NOT consider credit card receipts, cancelled checks or balance forward statements as acceptable forms of receipts. For over-the-counter items, clarify the specific item.

2. Submit copies of your qualified receipts with ABS's Reimbursement Request form.

Receipts are required to verify that you are spending the money from your account on eligible expenses. You can submit your receipts once or as often as you like. However, processing of reimbursement checks requires a minimum of \$20.00 of receipts. You may visit us on the web at www.abs125.com to download this form and to review your account activity.

3. Debit card users: Submit receipts with the Debit Card Submittal of Receipts form.

The debit card program automatically adjudicates your claim in many stores and submission of receipts to ABS is not required. However, you are still required to submit your receipts for debit card purchases from stores that are not on line with automatic adjudication. As always it is important to save all your receipts for each tax year you are participating in the Section 125 program. There is a specific Submittal of Receipts form to be used when sending in debit card claim receipts. It can be found on our website at www.abs125.com.

Your debit card is reloaded with your new annual election for the next five (5) years if you participate in the Plan, therefore it is important that you do not throw away or destroy your debit card. A fee is levied by the debit card company should the card need to be replaced for any reason.

4. Watch for quick reimbursement from ABS!

ABS is committed to sending your reimbursement checks quickly, usually within one week of receiving your signed reimbursement request form and receipts. We always send an explanation of benefits with your check to show you your updated HCR and or DCR balance.

5. Spend all your money -You cannot get back what you do not spend.

The IRS has strict rules regarding reimbursement. When you enrolled, you told the IRS you were reducing your taxable salary by \$X for the plan year. According to IRS guidelines, your unspent money is forfeited, so avoid overestimating! It's easy to save money with this benefit as long as you plan wisely. When you enroll, ask questions. ABS and your benefits point person are more than willing to help you take full advantage of this important benefit!

6. You cannot change or stop deductions during the plan year unless there exists any of the following circumstance(s):

- The birth or adoption of a child
- Marriage, divorce or legal separation
- Death of spouse
- Termination of your or your spouse's employment
- Change of your or your spouse's employment status from full-time to part-time or vice versa; or if either of you take an unpaid leave of absence from work

***A change in your group health plan such as opening an HSA in conjunction with a High Deductible Health Plan is not a qualifying event to change your election. You may not contribute to an HSA plan while contributing to an all purpose Section 125 HCR plan.**

7. You can only sign up once a year during open enrollment (unless you are a new employee, in which case you will have a limited enrollment period).

These plans work on a 12 month "plan year". The dates depend upon how your company has set up the benefit period, therefore it MAY NOT always be January 1- December 31. The plan year is renewed every 12 months. At this time, you may sign up, change, or waive participation.

8. In order to participate everyone must complete an enrollment form annually.

Submit a completed enrollment form to your Human Resource before the new plan year starts. It is up to your Human Resource as to the need for a form indicating that you have elected to waive participation. Your employer may require you to enroll electronically; doing so will eliminate the need for a form.

9. If you terminate your employment, you cannot submit receipts for expenses incurred after you leave your company.

You usually have 60 days after you leave the company to submit your receipts to ABS for reimbursement. Expenses will only be reimbursed for services incurred up to and including the date of termination. (See your benefits department to discuss possible COBRA options.)

10. Questions on how to save with this benefit?

ABS manages this benefit for many companies and can answer all of your questions. Visit us on the web at www.abs125.com or call ABS at (860) 675-2261 or (877) 732-8125.

The content of this booklet is informational and does not replace a Summary Plan Description provided to participants after the Plan is designed.

The Plan is intended to constitute a cafeteria plan within the meaning of section 125 of the IRS Code, and the applicable portions of the Plan are intended to constitute an accident and health plan within the meaning of section 105 of the IRS Code and a dependent care assistance program as defined in section 129 of the IRS Code. To the extent not preempted by ERISA, this Plan shall be interpreted and construed in accordance with, but not limited to, the above-referenced sections of the IRS Code and the law.

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