

# Flexible Spending Accounts

A Flexible Spending Account (FSA) is an account that allows you to set aside pre-tax dollars from your pay to be reimbursed for qualified healthcare or dependent daycare expenses. You choose how much money you want to contribute to an FSA at the beginning of each plan year. You can be reimbursed from your account throughout the plan year.

There are two types of FSAs: a healthcare FSA and a dependent daycare FSA. The FSAs are administered by the P&A Group.

There are hundreds of eligible expenses for your FSA funds, including prescriptions, doctor visit copays, health insurance deductibles and coinsurance for you, your spouse or eligible dependents, and daycare for your eligible dependents while you work.

## Tax Savings with an FSA

All FSA contributions are pre-tax, which means they come out of your pay before taxes. You save money by not paying taxes on the amount you contribute to your account for eligible healthcare and dependent daycare expenses.

Let's look at how much the average State of Maryland employee saves with an FSA. The example below illustrates what your coworkers saved with an FSA last year.

	With FSA	Without FSA
Average employee pre-tax contribution to FSA	\$1,535	\$0
Tax savings from FSA contributions*	\$460	\$0
<b>Average savings your coworkers enjoyed from their 2017 FSA</b>	<b>=\$460</b>	<b>=\$0</b>

\* Assuming a 30% tax rate. Actual savings will vary based on your individual tax situation; please consult a tax professional for more information.

## Healthcare Flexible Spending Account

Through a Healthcare Flexible Spending Account, you can be reimbursed tax-free for eligible out-of-pocket healthcare expenses not paid by insurance, including deductibles, copays or coinsurance for eligible medical, prescription, dental, vision and certain eligible over-the-counter (OTC) items. For a complete list of what's covered and what's not, visit [www.irs.gov/publications/p502](http://www.irs.gov/publications/p502).

You can use the Healthcare Flexible Spending Account to pay eligible healthcare expenses for yourself, your spouse, and your qualifying dependents children or other child relative (as defined by the IRC Section 152 to include biological child, stepchild, adopted child, eligible grandchild or legal ward) who have not reached age 27 by the end of the taxable year. You and your dependents(s) do not have to be covered under a State medical plan to participate in an FSA. To change the contributions you make to this account, the same qualifying status change rules apply as for the medical plans.

For 2018, you may contribute between \$120 and \$2,650 on a pre-tax basis to your healthcare FSA. Our plan does not allow Healthcare FSA funds to roll over from one year to the next, so be sure to plan carefully when deciding how much to contribute. **Any amount remaining in your account at year-end for which you did not file a claim will be forfeited.**

Healthcare FSA	Minimum	Maximum
Annually	\$120.00	\$2,650.00
12 pay period deductions	\$10.00	\$220.83
24 pay period deductions	\$5.00	\$110.42
19 or 20 Pay Faculty Scheduled deduction*	19 = \$6.32 20 = \$6.00	19 = \$139.47 20 = \$132.50
* 19 or 20 pay faculty members must contact the Personnel Office of their respective institution to determine their pay schedule for the multiple deduction pay periods. Multiple deduction schedules differ by institution.		

This plan is intended not to discriminate in favor of highly compensated employees as to eligibility to participate, contribution and benefits in accordance with applicable provisions of the Internal Revenue Code. The Plan Administrator must take such actions as excluding certain highly compensated individuals from participation in the plan or limiting the contributions made with respect to certain highly compensated participants if, in the Plan Administrator's judgment, such actions serve to assure that the plan does not violate applicable nondiscrimination rules.

## Use It or Lose It!

Estimate carefully so that you can be sure you will use all of your FSA funds by the end of the year!

You may still have to submit receipts for some of your purchases (per IRS regulations), so don't throw your itemized receipts away – you may be asked to show them even after reimbursement has been made.

## Reimbursement

For the Healthcare FSA, the easiest way to pay for eligible expenses is by using the debit card. But, when you cannot use your card for Healthcare FSA purchases, you may pay the amount due out of your pocket and then submit a reimbursement request by following the steps below:

- Keep your itemized receipts as documentation for all your healthcare FSA purchases.
- Submit a claim online at [www.MD.padmin.com](http://www.MD.padmin.com) from your computer or mobile device. (If you do not have web or mobile access, you may contact Customer Service to request a paper claim form at the number on the inside front cover of this guide.)
- For easy reimbursement, sign up to receive all reimbursements through direct deposit to your checking or savings accounts.

### How does the debit card work?

The debit card allows you to access your FSA funds quickly and easily. At many retailers, doctors' offices, vision centers, hospitals, pharmacies and grocery stores (for eligible over-the-counter items), your charges may be verified automatically as an eligible expense, reducing the need for you to submit receipts.

You may still be asked to provide verifying documentation. Failure to provide that documentation within 31 days of the request may result in reversal of the payment, card suspension and/or additional taxes due. Documentation can be submitted directly online when logging into your P&A Group Account at [www.MD.padmin.com](http://www.MD.padmin.com) (under Member Tools choose Upload a Claim, then under Claim Type select Request for Debit Card Documentation). You can also fax the verifying documentation to (844) 633-5399.

### When will my debit card expire?

Be sure to keep your card (even after your funds have been used for the plan year) for future plan years. Your card will remain active for three years from the date of issue; it is good through the last day of the month shown on your card. When your card is nearing its expiration date, a new card will be mailed to the address on file automatically, approximately one month before your current card expires as long as you continue to enroll in a Healthcare FSA.

### What items may I purchase using my debit card?

You can pay for most eligible expenses by using the debit card, including the cost of prescription drugs, certain over-the-counter items at most retailers, and doctors' charges at offices that accept debit cards. Your card will not work at retail locations that do not offer healthcare items or medical services.

***Dependent Daycare FSA funds cannot be paid by using the card.***

### Using the debit card for Over-The-Counter (OTC) Medicines

Under the Affordable Care Act (also known as "healthcare reform"), all OTC items containing a drug or medication, like cold medicine, allergy treatment, and pain relievers, require prescriptions for reimbursement. Some retailers will accept your OTC prescriptions at the point-of-sale and will allow you to use your debit card for these items. However, for many of these purchases, you will have to pay out-of-pocket and submit an online or paper claim for reimbursement. Be sure to include a valid prescription along with your receipt in order to be reimbursed. Please see [www.MD.padmin.com](http://www.MD.padmin.com) for details.

## USING YOUR ONLINE Healthcare ACCOUNT

The Healthcare FSA comes with an online account feature. Use your online account to do the following:

- Get your account balance
- View debit card charges
- Enter a new claim
- View claim status
- Find answers to frequently asked questions

### P&A Group Mobile Website

Visit P&A Group's secure mobile website, [www.MD.padmin.com](http://www.MD.padmin.com), to access all of your healthcare account information from your mobile device. You may also obtain your account balance using the automated telephone service. Simply call P&A Group's Customer Service Team at 844-638-1900.

### FSA Distributions for Reservists

The Heroes Earning Assistance and Relief Tax Act of 2008 (HEART Act) allows plans to offer "qualified reservist distributions" of unused amounts in healthcare flexible spending accounts (FSAs) to reservists ordered or called to active duty for at least 180 days or on an indefinite basis. An Employee must request a qualified reservist distribution on or after the date of the order or call to active duty, and before the last day of the plan year (or grace period, if applicable) during which the order or call to active duty occurred. The Employee Benefits Division must receive a copy of the order or call to active duty (or extension thereof) to confirm compliance with the 180-day/indefinite requirement. To request a distribution of unused amounts contributed to the healthcare FSA, submit your request in writing along with a copy of your orders to the Employee Benefits Division before December 31 of the plan year.

### Dependent Daycare Flexible Spending Account

The Dependent Daycare FSA covers dependent daycare expenses that allows you (or you and your spouse, if married) to work or look for work, or allows you to work and your spouse to attend school full-time. The care may be provided inside or outside of your home and may include things like daycare, before-and after-school programs, and summer day camp.

You can use the Dependent Daycare FSA to pay eligible expenses for the care of:

- Your dependent children under age 13; and
- Care of a child under age 13 at a day camp, nursery school, or by a private sitter for a child that lives in your home at least eight hours a day;
- Before-and after-school care (must be kept separate from tuition expenses);
- Care of an incapacitated adult who lives with you at least eight hours a day; and
- Expenses for a housekeeper whose duties include caring for an eligible dependent.

For 2018, you may contribute between \$120 and \$5,000 on a pre-tax basis (or up to \$2,500 a year pre-tax if married and filing separately), to your Dependent Daycare FSA to pay for eligible dependent daycare expenses. If your spouse is a full-time student or incapacitated, the maximum annual election is \$3,000 for one child or \$5,000 for two or more children. Our plan does not allow dependent daycare FSA funds to roll over from one year to the next, so be sure to plan carefully when deciding how much to contribute.

***Any amount remaining in your account at year-end for which you did not file a claim by the deadline will be forfeited.***

Dependent Daycare FSA	Minimum	Maximum
Annually	\$120.00	\$5,000.00
12 pay period deductions	\$10.00	\$416.66
24 pay period deductions	\$5.00	\$208.33
19 or 20 Pay Faculty Scheduled deduction*	19 = \$6.32 20 = \$6.00	19 = \$263.15 20 = \$250.00

\* 19 or 20 pay faculty members must contact the Personnel Office of their respective institution to determine their pay schedule for the multiple deduction pay periods. Multiple deduction schedules differ by institution.

**IMPORTANT NOTE:** If you retire or terminate employment during the plan year, you may only seek reimbursement for claims incurred through your last day of employment. Remaining unused funds will be forfeited.

### **What's Not Covered**

Eligible dependent daycare services cannot be provided by a person you are claiming as your dependent. You will need the Social Security or tax identification number of the person or facility that provides the care. Sample ineligible expenses include the following:

- Education and tuition fees;
- Late payment fees;
- Overnight camps (in general);
- Sports lessons, field trips, clothing; and
- Transportation to and from a dependent daycare provider.

### **Reimbursement**

All Dependent Daycare Expenses must be submitted for reimbursement either online or using a paper claim form. Requests for reimbursements for Dependent Daycare Expenses cannot be made until the service is provided and an itemized statement from your dependent daycare provider is received by P&A Group.

### **Timeline for Using Account Funds**

You must use all of your FSA funds by the date below or the remaining funds will be forfeited, in accordance with IRS regulations. Be sure to plan carefully so you contribute the right amount.

### **Availability of FSA funds**

You may be reimbursed from your Healthcare FSA at any time throughout the plan year for expenses up to the full amount you elected to contribute. This means you have your full contribution amount available to you on the first day of the plan year.

However, you can only be reimbursed from the Dependent Daycare FSA up to the amount contributed at the time care is received. If you submit a reimbursement request for more than your current balance, it will be held until additional contributions have been added to your account during subsequent payroll deductions.

### **Deadline for Eligible Expenses**

You have until **March 15, 2019** to incur eligible expenses for your Healthcare FSA. You have until **December 31, 2018** to incur eligible expenses for your Dependent Daycare FSA.

### **Deadline for Submitting Reimbursement Requests**

For both the Healthcare FSA and the Dependent Daycare FSA, you have until **April 15, 2019** to submit claims for eligible expenses. Remember, even though you have until **April 15, 2019** to submit the claim, the service dates must be on or before the dates listed above to be eligible for reimbursement.

### **P&A Group Contact Information**

For more information or questions regarding your FSA, please visit [www.MD.padmin.com](http://www.MD.padmin.com) or call P&A Group toll free at (844) 638-1900. Customer service hours are Monday – Friday, 8:00 AM – 10:00 PM ET.

Website: [www.MD.padmin.com](http://www.MD.padmin.com)

Phone: (844) 638-1900

Fax: (844) 638-1901

Mailing Address: 17 Court Street, Suite 500, Buffalo, NY 14202