

Interactive Medical Systems (IMS) Medical & Dependent Flexible Spending Accounts

Plan Year: January 1, 2018 to December 31, 2018

Medical (Flex) Reimbursement Account Maximum: \$2,650.00

- ***Medical (Flex) Reimbursement Account Minimum: \$50.00***
- ***Medical (Flex) Carryover Amount: \$500***

Dependent (Flex) Reimbursement Account Maximum: \$5,000.00

- ***Run Out Period: 60 days following the end of the plan year to file for services rendered during the plan year***
- ***Waiting period: None***

WHAT IS A FLEXIBLE SPENDING ACCOUNT?

- A Flexible Spending Account (FSA) is a program that the Federal Government allows your employer to sponsor. With a FSA, you save on a wide variety of everyday medical, dental, vision and day care expenses. It's a **TAX BREAK** that's simple to use and works for all eligible employees. You're going to have these expenses anyway, so why pay more in taxes than you have to?
- Your contributions to a FSA are deducted from your salary BEFORE taxes. This allows you (the employee) to save federal, state and social security taxes on the money you use to pay for eligible unreimbursed healthcare and daycare expenses for you and your eligible dependents, which will ***increase your take home pay.***

HOW IT WORKS

- At the time of enrollment, you must determine how much you would like to contribute to each account for the coming year. You may participate in the FSA healthcare plan, the dependent day care FSA plan or both.
- All monies that you put into the FSA will be deducted from your paycheck each pay period **BEFORE** taxes are calculated.
- Your spendable income increases because you contribute pretax dollars into the FSA plan. This lowers your taxable income; therefore you pay fewer taxes and increase your spendable income. Depending on your tax bracket, this plan can save you 25% to 40% on qualified, eligible expenses.

Below is an example of how a Flexible Spending Account can help increase your spendable income:

	Without FSA	With FSA
Gross annual pay	\$36,000	\$36,000
Pre-tax FSA contribution	\$0	(\$2,000)
Taxable income	\$36,000	\$34,000
Social Security, Federal & State Tax	(\$8,421)	(\$7,828)
After-tax dollars spent on eligible expenses	(\$2,000)	\$0
Available after-tax income	\$25,579	\$26,172
	SAVINGS with an FSA	\$593* or 30%

** Example illustrates potential tax savings based on Federal, FICA and State tax withholding estimates for a single filer; presented for illustration purposes only. Actual savings vary based on your individual tax situation. You may wish to consult a tax professional for more information on the tax implications of a FSA.*

There are two types of Flexible Spending Accounts, the **Health Care Flexible Spending Account** and the **Dependent Day Care Flexible Spending Account**. The accounts are created to cover different types of unreimbursed expenses. It is up to you to decide if you wish to participate in the Health Care FSA, Dependent Care FSA or both.

If you choose to participate in both accounts, the accounts operate independently of each other. Election funds may not be transferred from one account to the other, nor may either account reimburse expenses that are designed for coverage under the other account.

<p>1 HEALTH CARE FLEXIBLE SPENDING ACCOUNT</p>	<ul style="list-style-type: none"> • Reimburses eligible health care expenses not reimbursed by other insurance • Covers expenses for you and/or your tax dependents, including adult children through the end of the calendar year in which they turn 26 • The IRS limit of \$2,650 maximum is NOT a household limit – your spouse can have a separate Health Care FSA
<p>2 DEPENDENT DAY CARE FLEXIBLE SPENDING ACCOUNT</p>	<ul style="list-style-type: none"> • Reimburses eligible day care expenses for your: <ul style="list-style-type: none"> – children under age 13 – dependents on your Federal tax return who are incapable of self-care • You (and your spouse, if married) must be: <ul style="list-style-type: none"> – working, – looking for work (with income during the year), or – attending school full-time • \$5,000 maximum IS a household limit <ul style="list-style-type: none"> – Includes child care subsidy amounts and other FSA dependent day care accounts – \$2,500 maximum , if married, filing separately

1 - Health Care Flexible Spending Account

A Health Care Flexible Spending Account (HCFSA) can be used to reimburse eligible health care expenses not reimbursed under any other plan. Covered expenses are for you and/or your tax dependents, including adult children through age 26. **What are eligible health care expenses?**

✓ ELIGIBLE EXPENSES		✗ NOT ELIGIBLE EXPENSES
<ul style="list-style-type: none"> ✓ Copayments, coinsurance and deductibles ✓ Acupuncture ✓ Ambulance costs ✓ Birth control pills ✓ Blood pressure monitor ✓ Body scans ✓ Chiropractic care ✓ Contact lenses, solutions, cleaners and cases ✓ Dental care ✓ Diabetic supplies ✓ Fertility treatments ✓ First aid kits ✓ Flu shots ✓ Hearing aids (including batteries) ✓ Home diagnostic tests and kits ✓ Hormone therapy ✓ Insulin ✓ Laboratory fees ✓ Laser eye surgery ✓ Massage therapy (medically necessary) 	<ul style="list-style-type: none"> ✓ Mental health counseling ✓ Medical supplies ✓ Nicotine patches and gum (with a prescription) ✓ Obstetrical expenses ✓ Occupational therapy ✓ Orthodontia (special rules apply) ✓ Physical therapy ✓ Prescription drugs ✓ Preventive care screenings ✓ Prosthetics ✓ Psychiatric services and care ✓ Smoking cessation programs ✓ Sterilization (i.e., tubal ligation, vasectomy) ✓ Substance abuse treatment ✓ Transportation expenses related to medical care ✓ Vision care (including eyeglasses, prescription sunglasses, refractions and vision correction procedures) ✓ Weight loss programs (if prescribed by a Physician to treat existing disease) 	<ul style="list-style-type: none"> ✗ Day care expenses ✗ Cosmetic procedures ✗ Expenses you claim on your income tax ✗ Expenses reimbursed by other sources, such as insurance ✗ Gym and fitness club memberships ✗ Hair transplants ✗ Over the counter medications and vitamins (unless claimant provides a prescription from a physician) ✗ Physician retainer fees including boutique and concierge practice membership fees ✗ Weight loss programs and drugs for general well-being ✗ Expenses incurred before the Plan's annual effective date ✗ Expenses incurred after the end of the plan year (unless the Plan contains the 2 ½ month grace period provision or the carryover provision) ✗ Expenses submitted after the claims filing deadline

If you are unsure if an expense is eligible for reimbursement, call Interactive Medical Systems Consumer Accounts Department at 919-877-9933 or 800-426-8739 extension 5052. Business hours are Monday through Friday 8:00 am to 5:00 pm Eastern. **Under the Affordable Care Act the annual maximum Health Care Flexible Spending Account election is limited to \$2,600. However, your employer may elect a lower annual maximum election limit.**

2 - Dependent Day Care Flexible Spending Account

A Dependent Day Care Flexible Spending Account (DCFSA) can be used to reimburse daycare services provided to your children under age 13, as well as for an incapacitated child, parent or spouse. You are eligible if you are a single working parent, you have a working spouse, your spouse is a full-time student for at least five months during the plan year while you are working (refer to the IRS earned income limits for specific contribution levels), or your child, spouse or dependent parent is disabled and unable to provide for his or her own care. **What are eligible dependent care expenses?**

✓ ELIGIBLE EXPENSES	✗ NOT ELIGIBLE EXPENSES
<ul style="list-style-type: none"> ✓ Child care (at a daycare center, nursery school, day camp) ✓ Babysitters over the age of 19 ✓ Before and after-school care (must be billed separately from tuition) ✓ Adult day care expenses ✓ Placement fee expenses and stipend for an au pair <p><i>Eligible day care services cannot be provided by a person you claim as a dependent.</i></p>	<ul style="list-style-type: none"> ✗ Health care expenses ✗ Education and tuition fees ✗ Expenses you claim on your income tax ✗ Late payment fees ✗ Sports lessons, field trips, clothing, uniforms ✗ Transportation to and from day care ✗ Expenses incurred before the Plan's annual effective date ✗ Expenses incurred after the end of the plan year (unless the Plan contains the 2 ½ month grace period provision) ✗ Expenses submitted after the claims filing deadline

Eligible expenses include services provided: (a) inside or outside of your home by anyone other than your spouse, one of your dependents, or one of your children under 19 years of age, (b) by a child care center, or (c) by a housekeeper whose services include dependent care. Day camps are

eligible for reimbursement; however, overnight camps are not eligible. If you are unsure if an expense is eligible for reimbursement, please call Interactive Medical Systems at 919-877-9933 or 800-426-8739 ext. 5052. Business hours are Monday through Friday 8:00 am to 5:00 pm Eastern.

How Do I Get Started?

During the annual open enrollment period, determine how much money you want to set aside for the year to cover your unreimbursed health care and daycare expenses. Following is a sample worksheet to assist you:

1) Health Care Expenses:					
<u>MEDICAL</u>	(Annual)	<u>DENTAL</u>	(Annual)	<u>VISION</u>	(Annual)
Doctor Office Visits	\$ _____	Fillings	\$ _____	Exams	\$ _____
Well-Baby Care	_____	Bridges	_____	Lenses	_____
Physicals	_____	Crowns	_____	Frames	_____
Immunizations	_____	Dentures	_____	Other	_____
Prescription Drugs	_____	Orthodontia	_____		
Deductibles & Copays	_____	Exams	_____		
Other	_____	Other	_____		
					(1) Total Annual Expense \$ _____
2) Dependent Care Expenses:					
	(Annual)				
Child Care/Babysitting Service	\$ _____				
Before-school Care	_____				
After-school Care	_____				
Other	_____				
					(2) Total Annual Expense \$ _____

*Instructions: To estimate your potential unreimbursed health care and dependent day care expenses for the coming year, be sure to review your Explanation of Benefits forms, tax receipts, expense vouchers, checkbook registry, etc. for the prior two years. Using these figures as a benchmark, estimate the amount of expense you will likely incur in the coming year in Sections 1 and 2 above. **Be conservative in your estimates because of the "use it or lose it" rule.***

Paying for Eligible Expenses

The fastest and easiest way to pay for eligible expense is by using your Flex Benefits Card. The Benefits Card allows you to access your Flexible Spending Account to pay for eligible expenses without submitting a claim for reimbursement. The Benefits Card can be used to pay for eligible goods and services covered by your FSA like prescription drug copays, office visit copays, or deductibles under your health, dental, and vision plans. The card can also be used for allowable dependent day care expenses. The Benefits Card carries the MasterCard® logo and can be used wherever MasterCard® is accepted. Once you swipe the card at an eligible merchant location, the transaction is screened to determine whether there are sufficient funds credited to your FSA account and if it is an eligible expense, then the transaction will be approved. The merchant will be paid and the amount debited from your FSA account to reflect payment of an approved expense.

Cardholders have access to online claim information and balances at www.healthierbenefits.com. You must register first by creating a user account. Simply click on "Register". A registration page will display with all required values.

- Employee ID - your social security number with no dashes or spaces
- Employer ID - leave blank
- Registration ID - choose card number if you have the Benefits Card. If you do not have a Benefits Card, contact IMS for your Employer ID.

You will then be prompted to complete the Secure Authentication Setup process. A step-by-step instruction screen will provide information for each step. The next time you access your account, simply enter your personal user name and password to login.

Filing Manual Claims

If you do not or cannot use your Benefits Card to pay for an eligible expense, simply pay for the expense out-of-pocket and file your claim with Interactive Medical System for reimbursement. Your employer has a supply of claim forms. You can download a claim form from our website at <http://www.healthierbenefits.com>. Simply complete the form following the claim filing instructions included on the form to ensure your claim is properly submitted. If the expense is qualified under the Plan and appropriate documentation is submitted, you will receive reimbursement. You can file claims online through your user account, fax claims and the appropriate claim substantiation information to Interactive Medical Systems at (919) 562-0021 attention Consumer Accounts Department, or mail your claim submission to Interactive Medical Systems at PO Box 1349, Wake Forest, NC 27588. If you are requesting reimbursement for expenses for which you do not have insurance coverage such as dental, vision, or hearing, simply submit a copy of the bill or receipt with a FSA claim form. The receipt should indicate the date of the services, the services provided, and the charges. Claims that are covered by insurance must first be filed with the insurance plan. After you receive an Explanation of Benefits (EOB) statement indicating which expenses are eligible for payment and which are not, then submit a copy of the EOB with a FSA claim form to Interactive Medical Systems. Claims should be in our office five working days prior to the scheduled claim run for processing.

The “Use It or Lose It” Rule

What happens if there is money left in your account at the end of the year and you have no more reimbursable expenses? Under IRS regulations, the money in your account will be forfeited and will be used to pay for administration costs of this Plan. This is known as the “use it or lose it” feature of a FSA. For this reason, make conservative estimates of your reimbursable expenses prior to each plan year. You have a run out claims period at the end of each plan year in which to file claims for expenses incurred during the plan year. Note: An expense is “incurred” on the date the participant is provided with the medical care or dependent day care services and not when the participant is formally billed or charged for, or pays for, the services. There are special rules when your plan includes the 2 ½ month grace period provision or the carryover provision; please call IMS for details or contact your HR representative.

Tax Implications

Any reduction in your taxable pay for Social Security purposes may also lead to a reduction in your Social Security benefits. For most employees, the reduction in Social Security benefits will be insignificant compared to the value of paying lower taxes today. Check with your local Social Security office for possible impacts based on your particular situation.

If you participate in a Dependent Care Flexible Spending Account, you cannot also claim credits on your income tax return for the same expenses. Your individual circumstances and income will determine whether the federal, state (where eligible) and FICA tax savings under the Dependent Care FSA Account provide greater tax benefit than using the federal tax credit. Since individual tax situations vary, it is important for you to determine which approach offers the most favorable tax savings.

General Account Questions

Q1: How will I know the balance in my Flexible Spending Account?

To view your balance, please visit www.healthierbenefits.com. You may also contact the Consumer Accounts Department at (800) 426 8739 ext 5052.

Q2: Can I change my elections in the Section 125 plan at any time during the plan year?

No. You cannot change your elections during the plan year unless your plan allows changes in the event of specified status changes. The following events are typically considered eligible status changes; however, your election change must be consistent with the status event:

- *Legal marital status*
- *Employment status*
- *Dependent satisfies or ceases to satisfy eligibility requirements*
- *Entitlement to Medicare or Medicaid benefits*
- *Number of dependents*
- *Judgment or Order to cover a child*

Unless you are subject to one of the qualifying events on the previous page, your election is irrevocable for the plan year. If you experience one of the changes noted above, notify your Human Resources department to determine if you can modify your election within 30 days of the event.

Q3: What happens to the funds I set aside?

If you participate in both the Health Care and Dependent Day Care FSAs, the funds you set aside are deposited into two separate accounts one for out of pocket eligible health care expenses and one for dependent day care expenses. The money allocated for your Health Care Spending Account is available for immediate reimbursement up to your annual election amount. Dependent Care Spending Account dollars are reimbursed as they accumulate in your account; simply submit the required documentation. You cannot transfer or “borrow” funds from one account to the other.

Q4: What happens if I leave my employment during the plan year and have money left in my account(s)?

See your Human Resources Department for specifics regarding COBRA continuation of your Health Care FSA. The Dependent Care FSA is not eligible for COBRA continuation. If you are not eligible for COBRA or choose not to participate in COBRA, any funds remaining in your Health Care FSA will be forfeited if you do not have sufficient eligible expenses incurred prior to termination.

Q5: Can I submit a claim after the plan year ends?

You will have a run out claims period after the end of the plan year or the date your coverage period ends to submit claims that were incurred during the plan year. Your Plan Summary will indicate the exact amount of time your plan allows. The expense MUST be for services performed during the plan year or prior to the date your coverage period ends.

Q6: Do I need to provide Interactive Medical Systems with any documentation when I file a Dependent Day Care claim?

Yes, you must provide Interactive Medical Systems with the name(s) of your child(ren), the name, tax ID number of the daycare provider (required by the IRS to be submitted with every claim) and dates of service. This information is listed on the claim form which can be obtained from your employer or online at www.healthierbenefits.com.

Q7: What information is required for the processing and payment of Orthodontic claims?

Orthodontia claims require special care because the service is sometimes incurred over two to three years. Claims are paid according to the date of service. A copy of the orthodontia contract, documentation of an allocation of expenses over the course of treatment, and documentation of the amount and frequency of payments to the dentist are required. The date the braces are put on is the date of service for the initial application. The initial application fee is considered to be up to 25% of the total contract price.

The balance of the contract price is divided by the number of months left in the contract period; this is the maximum FSA reimbursement for each month. Monthly payments will be made for the rest of the plan year for services that are rendered during the plan year. Expenses beyond the current plan year will not be reimbursed

from the current FSA account, even if the entire bill is ***paid up front***. ***Reimbursements require proof of payment.***

Q8: How do I sign up for the Benefits Card?

If you enroll in the Flexible Spending Account Plan, you will be mailed a card and a Cardholder Enrollment Agreement detailing policies and procedures for its use. By signing and activating the card when you use it for the first time, you are agreeing that all card transactions will be solely for qualified expenses of the Flexible Spending Account. You will be provided with one card and one extra card for a spouse or dependent. Please indicate on the enrollment form and include the spouse or dependent's name, date of birth and Social Security number. Your card is good for three years. The funds will be reloaded to your Benefits Card if you decide to reenroll in the next plan year. You will need to request your spouse's or dependent's card to be activated every time you reenroll; dependent eligibility could change from year to year.

Q9: If I use my Benefits Card, will I still need to keep my receipts?

Yes, always keep your itemized receipts for card transactions. There may be times when a transaction requires additional review and you will be asked to submit documentation to Interactive Medical Systems. The Flexible Spending Account is IRS regulated and certain transactions require substantiation to verify proper use of the funds.

Q10: Can I use my Benefits Card to pay for the entire bill at my doctor's or dentist's office?

No, the purpose of a Flexible Spending Account is to put aside pre tax funds to pay for unreimbursed medical and/or dependent day care expenses. Your health, dental, or vision provider must bill your insurance carrier for their portion of the fee first. Your Benefits Card, however, may be used for charges that are not reimbursed by your health plan, like copays, coinsurance, and deductibles. After your health, dental, or vision plan has paid, you may use your Benefits Card to pay for the balance. Typically, physician, lab, or dental bills provide you the option to pay with a credit card. Select the MasterCard® option and provide the card number and expiration date as you would with your personal credit card.

Q11: If my Benefits Card is rejected at the point of sale for any reason or my doctor, dentist or other provider/merchant doesn't accept MasterCard®, what should I do?

Pay for the charge, keep your itemized receipts and submit a claim reimbursement request to Interactive Medical Systems. The card may only be used at medical, dental and vision facilities and pharmacies. The card will not work at department, discount or grocery stores. If you are purchasing prescriptions in these establishments, use the pharmacy check out.

You may request reimbursement for eligible expenses up to your maximum annual Health Care Spending Account election at any time during the plan year. You may request reimbursement for eligible Dependent Care Spending Account expenses only up to your current contribution balance.

Q12: What do I do if I lose my Benefits Card or it is stolen?

If you lose your card or it is stolen, contact Interactive Medical Systems immediately by calling 800.426.8739 extension 5052. Interactive Medical Systems will deactivate your lost/stolen card and issue you a new card. Every additional card will be at a cost to the member of \$10.00 per replacement card.

Q13: If Interactive Medical Systems believes I used the Benefits Card for an ineligible expense, what steps are taken? What if I don't respond or I don't have supporting documentation?

Interactive Medical Systems will make several attempts to contact you regarding the need to submit documentation for Benefits Card transactions that require review. If you do not respond to these requests or cannot provide adequate documentation of the expense, your card will be deactivated. The ineligible payment will be deducted from your future Flexible Spending Account claim reimbursement requests until your account is settled. You may also be asked to submit the ineligible reimbursement back to the Plan via check or payroll deduction.

The content of this brochure has been prepared to help you gain a better understanding of how Flexible Spending Accounts work and how you may best utilize the benefits of the Plan and does not constitute legal or tax advice. This information is an interpretation of selected portions of the Internal Revenue Code (IRC). It is informational only and not plan specific. For details of your Plan, please refer to your Plan Document.

Accessing the Flexible Spending Account Online

- Cardholders have access to online claim information and balances at **www.healthierbenefits.com**. You must register first by creating a user account. Simply click on "Register". A registration page will display with all required values.
- Employee ID - is employee social security number
- Employer ID - you need to "choose card number" from the drop down box
- Registration ID - enter your MasterCard debit card number
- You will then be prompted to complete the Secure Authentication Setup process. A step-by-step instruction screen will provide information for each step.
- The next time you access your account, simply enter your personal user name and password to login.



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