



Flexible Spending Accounts

Information & Enrollment Packet

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What is a Flexible Spending Account?

A Flexible Spending Account (FSA) is a program that the Federal Government allows your employer to sponsor. It 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, which will increase your take home pay. It is a widely used benefit that creates a “**Win - Win**” for employees and employers.

A valuable Benefit! If you choose to participate in this valuable program, you and your eligible dependents can “pay” for medical, dental, and vision expenses, and dependent daycare expenses on a tax-free basis.

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 healthcare plan, the dependent day care 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 30% to 40% on qualified, eligible expenses.

HEALTH CARE CLAIMS & REIMBURSEMENTS

Q: What are examples of eligible health care expenses?

You can pay for a wide variety of health care expenses through your pre-tax FSA account. For a detailed listing, please see page 8, "Sample Expenses Eligible for Flexible Spending Account Reimbursements".

Q: Is the deductible on my major medical plan eligible for reimbursement?

Yes, however, you must submit the Explanation of Benefits (EOB) statement from your healthcare plan which indicates when the deductible was met and verifies that expenses were incurred during the plan year. IMS cannot accept a statement that only indicates that the deductible has been met.

Q: How do I file a claim for expenses that are covered by insurance?

The claim must first be filed with the healthcare plan. After you receive an Explanation of Benefits statement indicating which expenses are eligible for payment and which are not, then submit a copy of the EOB with an FSA claim form to Interactive Medical Systems.

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

Claims will be paid according to the date of service. A copy of the orthodontic contract is required. The amount of the initial application of the braces will be paid at 100% then, monthly payments will be made for the rest of the plan year for services that are rendered during the current plan year. Please call IMS at 919-877-9933 for further details.

Q: How do I file a claim for expenses not covered by insurance?

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 an FSA claim form. The receipt should indicate the date of the services, the services provided, and charges.

Q: What happens to the funds I set aside?

If you participate in both the Healthcare and Dependent 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 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.

Q: What happens if there is money left in my account at the end of the year and I 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 an FSA. For this reason, you need to make conservative estimates of your reimbursable expenses prior to each plan year. You have a grace 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 dependant care services and not when the participant is formally billed or charged for, or pays for, the services.*

Q: 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 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.

DEPENDENT CARE

Q: What are eligible dependent care expenses?

This Plan follows IRS guidelines which allow you to use pre-tax dollars to pay for daycare services provided to your children under age 13, as well as for an incapacitated 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 spouse or dependent parent is disabled and unable to provide for his or her own care.

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.

Q: Is it better to utilize the Dependent Care Flexible Spending Account or the federal income tax credit for dependent care 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 benefits 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. Contributions to the Dependent Care FSA reduce your federal tax credit availability.

Q: How much money can I set aside on a pre-tax basis for dependent care?

You can set aside a maximum of \$5,000 per plan year (or the maximum contribution limit set by your employer) for dependent care expenses if you are a single parent or married and filing jointly; \$2,500 if you are married and filing separately. The legal maximum is also \$5,000 per calendar year in the event you have access to another FSA plan through your spouse or another employer. For the out-of-pocket Health Care Spending Account maximum, refer to your "Summary Plan Description" booklet.

Q: Do I need to provide IMS with any documentation when I file a claim?

Yes, if you participate in the dependent care account, you must provide IMS with the name(s) of your child(ren), the name, tax ID number of the daycare provider (Required by the IRS to submit in 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.ims-tpa.com.

A stipulation imposed by the IRS is that the service provider must be over 19 years of age, and cannot be an individual for whom a personal tax exemption is claimed.

GENERAL ACCOUNT INFORMATION

Q: How will I know the balance in my Flexible Spending Plan?

Interactive Medical Systems will print your available balance on the Explanation of Benefits (EOB) attached to any reimbursements that you receive. You may also call the IMS Flex Department at (919) 877-9933 or (800) 426-8739.

Q: If I participate in the Plan, will I reduce my Social Security benefits when I retire?

Since your taxable income will be reduced, your FICA contribution for Social Security could also be slightly reduced. Usually the effect will not be great over the lifetime of your covered earnings. Check with your local Social Security office for possible impacts based upon your particular situation.

Q: Can I change my elections in the Section 125 plan at anytime during the plan year?

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

Legal marital status; Number of dependents; Employment status; Dependent satisfies or ceases to satisfy eligibility requirements; Judgment or Order to cover a child; Entitlement to Medicare or Medicaid benefits. Unless you are subject to one of these qualifying events, your election is irrevocable for the plan year. If you experience one of the changes noted above, you are allowed to modify your election within 30 days of the event.

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

You will have a "grace 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.

Q: What form do I use to file a claim?

Your employer has a supply of claim forms you can use when you have a claim to be submitted. You can also download a claim form via our website at www.ims-tpa.com. Simply complete the form and read the claim-filing instructions on the reverse side of 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 a reimbursement check.

Q: How and when can I submit a claim?

You can fax the claim and the appropriate claim substantiation information to IMS at (919) 877-0615 or it can be mailed to IMS at PO Box 19108, Raleigh, NC 27619 any time during the plan year.

The *mbi* Benefits Card



Q: The *mbi* Benefits Card Card®

The *mbi* Benefits Card allows you to access your Flexible Spending Account without submitting a claim for reimbursement. You can use your *mbi* Benefits Card to pay for eligible expenses at doctor's offices, pharmacies, vision care and dental providers, and daycare facilities (if your provider accepts credit cards). The *mbi* Benefits Card carries the MasterCard® logo and can be used wherever MasterCard is accepted.

Q: How can I use the *mbi* Benefits Card?

The *mbi* Benefits Card can be used to pay for eligible goods and services covered by your FSA like prescription drug co-pays, office visit co-pays, or deductibles under your health, dental, and vision plans. This card can also be used for allowable dependent care expenses. You may use your card at approved providers or merchants that accept MasterCard.

Q: How does the card work?

Once a cardholder swipes the card at an eligible merchant location, the transaction is screened to determine whether there are sufficient funds credited to your FSA account. Only if there is enough money credited to the account is the transaction approved. At this point, the merchant will be paid and the amount is debited from the employee's FSA account to reflect payment of an approved expense. There is no direct payment or reimbursement to the participant.

Q: Is there a "list" of eligible merchants/providers that accept the card?

No, but most health care or dependent care related providers/merchants that accept MasterCard will accept your card. As far as the merchant/provider is concerned, your *mbi* Benefits Card is no different than any other MasterCard.

Q: How do I sign up for the *mbi* 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.**

Q: Once I use the card, do I have to use it all of the time?

No. You may choose to use the card for pharmacy co-payments and file all other claims with Interactive Medical Systems. It is entirely up to you how frequently you want to take advantage of this extra convenience.

Q: How many cards will I receive?

You will be provided with one card. If you want a card for a family member, please indicate on the enrollment form and include the dependents name, date of birth and Social Security number.

Q: Do I need a PIN to use the card?

No, there is no PIN associated with the *mbi* Benefits Card. However, when using the card at self-service merchant terminals, select the "CREDIT" option. Please be aware that the *mbi* Benefits Card is not a credit card, it is a debit card that uses funds from your Flexible Spending Account.

The *mbi* Benefits Card

Q: What do I do if I lose the card or the card is stolen?

If you lose your card or it is stolen, contact Interactive Medical Systems immediately by calling 919-877-9933. IMS will deactivate your lost/stolen card and issue you a new card. There is a charge to the member for replacement cards.

Q: What if my card is rejected at the point of sale/service 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 IMS.

The card may only be used at medical facilities and pharmacies. **The card will not work at department/ discount grocery stores, If you are purchasing prescriptions or over the counter medication in this establishments, you will have use the pharmacy check out.**

Note: 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.

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

IMS will make several attempts to contact you regarding the need to submit documentation for *mbi* 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 your employer via check or payroll deduction.

Q: Can I use my *mbi* 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 un-reimbursed medical and/or dependent care expenses. Your health, dental, or vision provider must bill your insurance carrier for their portion of the fee first. Your *mbi* Benefits Card, however, may be used for charges that are not reimbursed by your health plan, like co-pays, coinsurance, and deductibles. After your health, dental, or vision plan has paid, you may use your *mbi* 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. You will then mail that information back to your provider who will process accordingly.

Q: If I use my *mbi* 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 will require additional review and you will be asked to submit documentation to IMS.

Q: How can I review my *mbi* Benefits Card transactions?

You can review your *mbi* Benefits Card transactions and account balances on the Internet at <http://www.mbicard.com>.

The content of this brochure has been prepared by Interactive Medical Systems solely 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) as of 7/31/06 and is subject to continual revision. It is informational only and not plan specific. For details of your Plan, please refer to your Plan Document.

How Do I Get Started?

1) DETERMINE THE AMOUNT OF YOUR CONTRIBUTIONS

During your annual open enrollment period, determine how much money you need to set aside for the year. Be conservative in your estimates because of the “use it or lose it” rule. Your employer deducts that amount from your pay on a pre-tax basis in equal amounts throughout the year. For example, if you are paid 52 times a year and you elect to contribute \$1,040 you would have \$20 deducted from each paycheck and credited to your FSA account.

2) ENROLL

Complete your employer’s FSA enrollment form.

3) SUBMIT YOUR CLAIM

When you have an eligible expense, submit a claim for reimbursement with the appropriate documentation to IMS by mail or fax and IMS will reimburse you by check.

POINTS TO CONSIDER

✓How much to place in your FSA Benefits Plan

After reviewing the list of qualified expenses, try to determine how much you expect to spend on these expenses during the plan year.

✓The “Use it or Lose it” Rule

Remember if you contribute to a Flexible Spending Account and do not use all of the monies you deposit, you will lose any remaining balance in the account at the end of the plan year.

Because of the tax advantages of a Flexible Spending Account plan, the IRS has established strict guidelines for monies not used by the end of the plan year. For this reason, plan carefully how much to place in your account. Only contribute an amount that you feel confident you will use to pay for qualified expenses incurred during the plan year.

✓Social Security Benefits

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.

✓Once enrolled, you may not change

To comply with IRS regulations, you may only make a change in your elections during the open enrollment period each plan year. You may NOT make changes to your elections after the open enrollment period, unless you experience a family status change. Examples include – marriage, divorce, birth, adoption, death, loss of spouse’s employment, etc...

Sample Expenses Eligible for Flexible Spending Account Reimbursement

Medical, Dental, Vision Expenses

- Acupuncture
- Alcoholism treatment
- Ambulance hire
- Artificial teeth
- Birth control pills
- Braces
- Braille-books & magazines
- Chiropractors
- Christian Science Practitioners' fees
- Co-insurance amount you pay
- Co-pay amount you pay
- Contact lenses & eyeglasses plus eye examination
- Contact lens solution
- Cost of operations and related treatments
- Crutches
- Dental fees
- Drugs (by prescription) & medical supplies
- Handicapped persons' special schools
- Hearing devices & batteries
- Home improvements necessitated by medical considerations
- Hospital bills
- Insulin
- Laboratory fees
- Lead-base paint removal (for children with lead poisoning)
- Massage Therapy (medically necessary)
- Mentally handicapped persons' cost of special home therapy
- Nicotine Patches and Gum
- Obstetrical expenses
- Orthopedic shoes
- Over-the-counter medications purchased to *treat* or *alleviate* the symptoms of an illness or injury (see the chart on the following pages for eligible expenses)
- Oxygen
- Physical fees
- Psychiatrists & Psychologists fees
- Radial Keratotomy Lasik eye surgery
- Routine physical & other non-diagnostic services or treatments
- Seeing-eye dog and maintenance
- Special education for the blind
- Special plumbing for the handicapped

- Sterilization (i.e., tubal ligation, vasectomy)
- Surgical fees (except cosmetic)
- Telephone, special services for the deaf
- Television audio display equipment for the deaf
- Therapeutic care for drug & alcohol addiction
- Therapy treatments
- Transportation expenses primarily in the rendering of medical services
- Tuition at special school for handicapped
- Vitamins, by prescription only
- Weight loss program (if prescribed by Physician to treat existing disease)
- Wheelchair
- X-ray

Dependent Care Expenses

- Babysitters over the age of 19
- Daycare Centers
- Nursery Schools
- After-School Programs
- Day Camp
- Eldercare

Common Expenses Not Eligible for Reimbursement

- Cosmetic procedures
 - Over the counter vitamins and dietary supplements (unless the claimant provides physician documentation that a medical condition validates the expense)
 - Gym and fitness club memberships
- *Some items may require physician documentation**

If you are unsure if an expense is eligible for reimbursement, please call the Interactive Medical Systems Flex Department at : 919-877-9933 or 800-426-8739. Business hours are Monday through Friday 8:00 am to 5:00 pm EST.

Eligible Over The Counter (OTC) Expenses include medicines or products that alleviate or treat injuries or illness for you and your dependents. You do not need to provide a statement from a medical provider or indicate a diagnosis in order to receive reimbursement.

Type/Class of Drug or Product	Examples
Allergy Prevention and Treatment	Actifed • Allerest • Benadryl • Chlor-Trimetron • Claritin • Contac • Nasalcrom • Sudafed
Analgesics/Antipyretics	Aspirin • Advil • Alleve • Ibuprofen • Naprosyn • Tylenol • Midol • Pamprin • Premysyn PMS
Antacids and Acid Reducers	AXID AR • Gas-X • Maalox • Mylanta • Tums • Pepcid AC • OTC Prilosec • Tagamet HB • Zantac 75
Anti-arthritis	Glucosamine
Antibiotics (topical)	Bacitracin • Neosporin • Triple antibiotic ointment
Anticandial (yeast)	Femstat 3 • Gynelotrimin • Mycelex-7 • Monistat 3 • Vagistat-1
Antidiarrheal and Laxatives	Ex-Lax • Immodium AD • Kaopectate • Pepto-Bismol
Antifungal	Lamisil AT • Lotramin AF • Micatin
Antihistamines	Actidil • Actifed • Allerest • Benadryl • Claritin • Chlor-Trimetron • Contac • Drixoral • Sudafed • Tavist • Triaminic
Anti-itch Lotions and Creams	Bactine • Benadryl • Caldecort • Caladryl • Calamine • Cortaid • Hydrocortisone • Lanacort • Lamisil AT • Lotramin AF
Asthma Medicines	Bronitin Mist • Bronkaid • Bronkolixer • Primatene
Cold Sore/Fever Blister	Abreva Cream • Herpeclin
Cold, Flu, Decongestant and Sinus Remedies	Advil Cold and Sinus • Afrin • Alka Seltzer Cold and Flu • Alleve Cold and Sinus • Children's Advil Cold • Contac • Dayquil • Dimetane • Dristan • Drixoral • Neo-Synephrine • Nyquil • Orrivin • Pediacare • Sudafed • Tavist-D • Thera-flu • Triaminic • Tylenol Cold and Flu • Cough Drops & Lozenges • Nasal Sprays
Contraceptive / Family Planning	Ovulation predictor kits • Pregnancy tests • Spermicides • Condoms
Cough Suppressants or Expectorants	Robitussin • Vicks 44 • Chlorasptic • Mucinex • Cough drops • Throat lozenges
Dehydration	Pedialyte
Dental/Denture Care	Orajel • Anbesol • Poligrip
Diaper Rash	Aquaphor • Balmax • Desitin
Ear Care	Ear drops • Ear wax removal
Eye Care	Contact lens supplies • Eye drops • Reading glasses • Eye patches
First Aid / Medical Supplies	Antiseptics • Witch Hazel • Peroxide • Bandages • First aid kits • Cold/hot packs for injuries • Joint supports (ankle, elbow, knee, wrist) • Rubbing alcohol • Ace wraps • Splints • Thermometers • Liquid adhesives
Foot Care	Arch and insole supports • Callous removers • Athlete's Foot products (see anti-fungal) • Bunion, blister and corn treatments
Hemorrhoidal Preparations	Preparation H • Hemorrhoid • Tronolane
Home Diagnostic Tests or Kits	Blood pressure (monitor and related equipment) • Cholesterol • Diabetic equipment and supplies • Colorectal screenings • HIV test
Lactose Intolerance	DairyCare • Dairy Relief • Lactaid • Lacteeze • Lactrase
Menstrual Cycle	Midol • Pamprin • Premysyn PMS
Migraine Relief	Advil Migraine • Motrin Migraine • Excedrin
Motion Sickness	Dramamine • Marizine
NSAIDS	Advil • Alleve • Ibuprofen • Motrin • Naprosyn • Naproxen
Pediculicide	Nix • Rid
Pre-natal Vitamins	
Skin Care	Sunburn relief • Aloe Vera
Sleeping Aids	
Smoking Cessation	Commit • Nicoderm CQ • Nicorette • Nicotrol
Teething/Toothaches	Orajel • Anbesol
Topical Steroids	Hydrocortisone
Wart Removal	Compound W • Dr. Scholl's Clear Away • Wart-Off

Dual-Purpose OTC Medicines and Products may be reimbursed under an FSA with a licensed health care provider's LMN stating your specific diagnosis or medical condition, a recommendation to take the specific OTC medicine to treat your condition, and documentation of the product and cost.

Type/Class of Drug or Product	Examples	Reimbursable Use	Excluded Use
Calcium	Calcium Carbonate ♦Caltrate ♦Tricalcium Phosphate ♦Calcium Citrate ♦Calcium Lactate ♦Calcium Gluconate	Diagnosis (e.g. osteoporosis) or at-risk for illness or injury based on physician note	Routine use for general health
Dental fluoride			Routine use for general oral care
Fiber Supplements	Benefiber ♦Metamucil	Documented specific medical condition; short duration	Routine use for general health
Homeopathic Remedies			
Incontinence		Post-surgery	Infants and toddlers
Joint Supplements	Chondroitin	Diagnosis of Arthritis	Routine use for general health
Minerals	Calcium ♦Caltrate ♦Ferrous Sulfate ♦Feosol ♦Slow FE ♦Folic Acid	Diagnosis (e.g. osteoporosis, anemia) or at-risk for illness or injury based on physician note	Routine use for general health
OTC Hormone Therapy		Peri-menopausal or menopausal symptoms	Routine use for general health
Dietary Supplements	Protein bars ♦ Power drinks ♦Ensure ♦Glucerna ♦Slimfast	Documented specific medical condition	Sports performance, general energy and health
Snoring Cessation Aids		Breathe Right ♦Snorezz	Sleep Apnea
Vitamins		Vitamin B for treatment of scurvy	Routine use for general health
Weight Loss		Diagnosis of obesity or other documented specific medical condition	General weight loss

Excluded OTC Products (non-eligible expenses)

Type/Class of Drug or Product	Examples
Cosmetic Products	Face soaps ♦Creams ♦Make-up ♦Perfumes ♦Hair removal
Dental Products	Dental floss ♦Toothpaste ♦Toothbrushes ♦Teeth whitening kits ♦Mouthwash
Ear Care	Ear plugs
Herbal Supplements	
Toiletries	Deodorant ♦Shampoo ♦Body sprays ♦Soaps ♦Moisturizers ♦Chapstick
Vitamins	Without a Letter of Medical Necessity



Flexible Spending Account (FSA) WORKSHEET

Instructions: To estimate your potential unreimbursed health care and dependent 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, conservatively estimate the amount of expenses you will most likely incur in the coming year in sections A & B below.

A) Medical, Dental, Vision Expenses (estimated unreimbursed health care expenses):

MEDICAL	(Annual)	DENTAL	(Annual)
Doctor Office Co-pays	\$ _____	Fillings	\$ _____
Deductibles	_____	Bridges	_____
Routine OB-GYN Exam	_____	Crowns	_____
Physicals (school physicals, etc...)	_____	Dentures	_____
Co-Insurance	_____	Orthodontia	_____
Prescription/OTC Drugs	_____	Oral Exams	_____
Wheelchair, Crutches, and Medical Appliances	_____	Cleanings/X-Rays	_____
Other (miscellaneous) Costs	_____		
VISION		HEARING	
Eye Exams	\$ _____	Exams	\$ _____
Eyeglass Lenses/Frames	_____	Hearing Aids	_____
Contact Lenses	_____		

A) Total Annual Medical Expense \$ _____

B) Dependent Care (estimated dependent care expenses required for you and your spouse to continue working):

	(Annual)
Child Care Center/Babysitting services	\$ _____
Pre-school/Nursery school tuition	\$ _____
After-school programs, Day Camp	\$ _____

B) Total Annual Dependent Care Expense \$ _____

Total (A)+(B) = total annual election of \$ _____ divided by payroll cycle = \$ _____ /pay period

How to File for Flex Reimbursement for ORTHODONTIC CLAIMS

Orthodontia claims require special care because the service is sometimes incurred over two to three years; extra substantiation is required of the Flex participant to be reimbursed through a Flexible Spending Account (FSA).

Under the FSA guidelines rule by the IRS, a copy of the orthodontia contract, an allocation of expenses over the course of the treatment program, and the amount and frequency of payments to the dentist is required. It is best to get the dentist to break down all expenses by cost. For example, the dentist can make allocations for initial x-rays, banding fee, moldings, consultations, adjustments, etc. Unlike other health care services, orthodontia reimbursement requests require proof of payment. Proof of payment would include a payment history or payment receipt.

If the treatment program consists of an initial down payment with a subsequent payment schedule, these expenses will usually be reimbursed as they are paid. Have your dentist allocate the down payment to what service has been rendered (i.e. fitting and installation of braces).

Expenses for orthodontia that span beyond the current plan year will not be reimbursed, even if the entire bill is paid up front.

To do so would violate Prop. Treas. Reg. Section 1.125-2, Q/A-7(b)(6), which provides the following:

"Claims incurred. Medical expenses reimbursed under a health FSA must be incurred during the participant's period of coverage under the FSA. Expenses are treated as having been incurred when the participant is provided with the medical care that gives rise to the medical expenses, and not when the participant is formally billed or charged for, or pays for the medical care. Also, expenses are not treated as incurred during a period of FSA coverage if such expenses are incurred before the later of the date the health FSA is first in existence or the participant first becomes enrolled under the health FSA."

The IRS recognizes that it is often impossible to match costs with the provision of medical services for orthodontia expenses. Therefore, any reasonable payment plan will be reimbursed as paid, as long as the expenses are not substantially front-loaded. The best way to determine a monthly payment schedule that will satisfy IRS standards is to take the total treatment fee and divide it by the estimated treatment time. Down payments and monthly payments that have due dates outside of your plan year will not be honored. Notice that the monthly payment amount is the patient responsibility divided by the estimated length of treatment.

How claims are processed:

EXAMPLE:

Your orthodontic contract states that the total bill is \$3,200 and the contract lasts for 24 months.

1.) The date the braces are put on is the date of services for the "initial application". We consider the fee for this date of service to be up to 25% of your total contract. $\$3200 \times 25\% = \800 ;

2.) The balance of the bill is divided by the number of months left in the contract period
 $\$3200 - \$800 = 2400$ $\$2400/24$ months = \$100 per month;

3.) The resulting is \$100 is the maximum reimbursement for each month of the remainder of the plan year.

The remaining balance of the contract owed can be considered when planning your deductions for the next plan year since the dates of service will fall into that plan year. The claims processing rules will apply even if your Orthodontist requires you to pay in full at the time of the contract or "initial application".

Flexible Spending Accounts are for un-reimbursed medical and/or dental expenses. Therefore, claims must be filed with your benefits carrier prior to being filed with your flex plan.

If you have any questions, please call the IMS Flex Department at (919) 877-9933 and we will be happy to assist you.

How to File DEPENDENT CARE CLAIMS

Dependent Care claim filing is different from medical claims filing. Dependent Care claims are reimbursed up to the amount of deductions deposited in the dependent care account per pay period less amounts already paid. The IRS allows a maximum of \$5,000 per plan year for dependent care expenses if you are a single parent or married and filing jointly; \$2,500 if you are married and filing separately.

Example:

John has a 2-year-old child in daycare.

He has elected \$5,000 for his Dependent Care Account for the 12 month plan year.

This allows John a total of \$416.66 per month to be deducted pre-tax from his paycheck.
 $\$5,000 \text{ divided by } 12 \text{ months} = \416.66

His expenses are \$700 per month for childcare.

John will file his first claim of the plan year during the second month of the plan year. The reason for this is that:

- 1) All of the money will be deducted from John's paycheck.
- 2) The dates of service will have already occurred on the next scheduled check run for John's company, John will receive a check in the amount of \$416.66 even though his receipt for January will be \$700. John can only get back per month what he has put into the account each month.

Paper claims including proper documentation should be mail to:
Interactive Medical Systems
PO Box 19108
Raleigh, NC 27619

If you have any questions, please call the IMS Flex Department at (919) 877-9933 and we will be happy to assist you.



**Flexible Spending Account
Quick Reference Guide**

Where can I find a claim form?	Download a claim form via our website at: www.ims-tpa.com
How can I submit a claim?	Fax claim and supporting documents to IMS @ 919-877-0615 Or Mail to IMS at PO Box 19108, Raleigh, NC 27619 ATTN: FLEX DEPT
How can I view my account?	Visit www.mbicard.com
What information do I need to set up my account?	Visit www.mbicard.com Employee and Cardholder Log On Create Account The site will ask you for your card number and employee # (your SSN)
Where can I find a list of eligible expenses?	Visit www.ims-tpa.com Flexible Spending Accounts Covered Expenses Or visit IRS.gov/faq/index.html

Have additional questions? Call 919-877-9933 and ask for the Flex Department

SAVE YOUR RECEIPTS

The IRS requires IMS to validate that all claims are for eligible expenses. All Flex accounts are randomly audited, so you may be asked to provide a receipt to substantiate the transaction. Please note that the yellow MasterCard™ charge slip is not sufficient documentation for verifying that a transaction is eligible.

The card will only work at medical facilities and pharmacies. If you have covered expenses from different merchants you must pay for the expense and file a claim for reimbursement.

If IMS requests a receipt, please send supporting documentation that will include: Date of Service (not date of payment), name of the provider and amount paid. Submitting this information as soon as possible will prevent any interruption to your card. We will send three (3) written requests. After the third request, your card will be deactivated until supporting documentation is received.

Remember Flexible Spending Accounts are for non covered medical and/or dental expenses. Therefore, claims must be filed with your benefits carrier prior to submitting your Flexible Spending Account claim.

If a receipt is requested, please mail it to:
Interactive Medical Systems
PO Box 19108
Raleigh, NC 27619

If you have any questions, please call the IMS Flex Department at (919) 877-9933 and we will be happy to assist you.