EAST END HEALTH PLAN
OVERVIEW OF FLEXIBLE BENEFITS PLAN AND PROCEDURES FOR PLAN PARTICIPANTS

A Flexible Benefit Plan is a tax savings benefit allowed by the Internal Revenue Service under IRS Code Section 125. Savings are achieved by allowing employees to pay for eligible expenses on a pre-tax basis. Income used to pay for these expenses is not subject to Federal, State, Local or Social Security income taxes and therefore may result in savings for the employer and the employee. This effectively reduces the gross taxable income of a participating employee.

FLEXIBLE SPENDING ACCOUNTS:

There are two types of flexible spending accounts offered to our clients These are the Health Care Reimbursement Account and the Dependent Care Reimbursement Account. IRS regulations for administration of these two accounts are similar with slight differences. A general description that may apply to either type of account is as follows.

During each open enrollment period each year, which is usually two months prior to the beginning of each plan year, employees may elect to make new elections for the next plan year. This election is the amount which the employees have estimated that their eligible expenses will be for the next plan year. Employees may use past years and projected expenses as a guideline. We often recommend new enrollees be conservative when calculating this estimate . IRS guidelines require that any amounts included in their election which are not submitted for reimbursement (i.e. for which eligible expenses have not been incurred) are forfeited. This is referred to as the IRS “Use it or Lose-it” provision. These amounts are forfeited to the employer who in-turn is regulated in terms of possible uses for these funds. The IRS prohibits these funds from being returned to the specific individual who over estimated their expenses.

Generally, any employee who does not submit an election form by the end of the enrollment period is not allowed to participate in the plan for that plan year. Enrollment is not automatically renewed.

When participants incur expenses, a claim form is to be submitted which must be signed and dated with the required substantiating information which is noted on the back of the claim form. These claims are either processed or additional information is requested, depending on what was received. IRS regulations require that we receive a written statement from a third party confirming that the expense has been incurred and noting the amount of the expense (for which we accept a provider bill and insurance company EOB, if applicable).

Reimbursement checks are processed once a month, on the 20th day of the month, except for reimbursement amounts less than $25, which are only issued during the 90-day grace period following the end of the plan year. Claims must be for expenses incurred during the plan year. Claims must be submitted during the plan year or within the 90-day grace period following the plan year.

The two types of Reimbursement Accounts available are as follows:

HEALTH CARE REIMBURSEMENT ACCOUNTS:

Generally eligible expenses include those listed under Section 213 of the Internal Revenue Code. These expenses must be medically necessary (not just for general health) and not reimbursable by any other sources, such as insurance, and may include expenses for medical, dental, vision, psychiatric and alternative treatments (chiropractic, massage therapy, acupuncture…) whether applied to deductibles and co-payments or just not covered under insurance.

The minimum allocation for your Health Care Reimbursement Account is **$300.**
The maximum allocation for your Health Care Reimbursement Account is **$3,000.**

DEPENDENT CARE ACCOUNTS:

Eligible expenses include those for dependent children under age 13 or other tax dependents who are incapable of caring for themselves, whose care allows the employee and spouse, if applicable, to work. The IRS allows a maximum of $5,000 ($2,500 if married, filing separately) to be allocated per employee/family per plan year.

The minimum allocation for your Dependent Care Reimbursement Account is **$300.**
The maximum allocation for your Dependent Care Reimbursement Account is **$5,000.**
($2,500 if married, filing separate tax returns)

As with nearly any tax savings benefit, there are restrictions and potential risk mandated by the Internal Revenue Service. The greatest employee risk is due to the IRS's "Use-it or Lose-it" Rule (previously noted). The IRS also strictly regulates the conditions under which an employee may change an election (i.e. due to certain changes in family status) during a plan year as well as other facets of the plans.

For more specific information, please contact J.J. Stanis and Company's Flexible Benefits Department at (877) 470-3715.