

Flexible Spending Account (FSA) Presentation



Relationships Matter.

Flexible Spending Account (FSA): the essentials

Relationships Matter.

A tax-advantaged account employees can use for eligible out-of-pocket expenses.

WHAT IT IS

- A Flexible Spending Account (FSA, also called a “flexible spending arrangement”) is a special account you put money into that you use to pay for certain out-of-pocket health care costs
- You don’t pay taxes on this money. This means you’ll save an amount equal to the taxes you would have paid on the money you set aside.
- Health FSA funds reimburse eligible medical, dental, vision and certain OTC expenses.
- Eligible dependent health expenses may also qualify.

2 Accounts: Health FSA and Dependent Care Account (DCA)

- Health FSA: qualified health care expenses.
- DCA: qualifying dependent day/elder care expenses so the employee (and spouse, if applicable) can work or seek work.
- Funds and rules are separate.

WHY IT HELPS

- Reduces taxable income and can lower the employee’s cost of eligible care. Federal, State and FICA taxes are not taken on the amount you contribute to your Health HSA. This could represent a 25% - 40% savings on your “out-of-pocket” cost.
- Health FSA elected funds are frontloaded at the start of the plan year.
- Can pay expenses not covered by insurance, such as deductibles and copays.
- Can rollover up to \$680 in unused funds to the next year. One Debit card for both plans

Important: the plan document and IRS rules control eligibility, annual limits, rollover/grace-period provisions, and claims deadlines.

Flexible Spending Account (FSA): Advantages

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Medcom Benefit Solutions offers professional administration with a variety of FSA plan designs and dependent care assistance:

Medcom Benefit Solutions offers a single, fully integrated, and easy-to-use platform for all fringe benefits administration.

All employers will have a dedicated Account Manager to ensure your complete satisfaction.

Electronic communications are available to keep participants actively informed about their accounts, including monthly account statements, “card mailed” notifications, card transaction denial notifications, and more.

Employee Advantages

- Larger paycheck by reducing their taxable income
- Medical savings on eligible expenses
- May be used on eligible expenses not covered by insurance
- Immediate availability of funds
- Debit card capabilities to make transactions smoother
- Potential to assist in becoming healthier and cutting down annual medical expense
- Medcom online portal and mobile app for balances, claims and document upload
- 24/7 IVR for balance checks, recent activity, PIN access and card replacement
- FSA Store resource to identify eligible products and services

Employer Advantages

- Reduces the tax burden of the employer
- Enhances benefit offerings and improves employee morale
- Increases employee engagement in managing costs through consumer-driven healthcare
- Attracts higher quality employees
- Potential to assist employees in becoming healthier and reducing medical costs
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How a Health FSA works

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Employees choose an annual election during enrollment; payroll deductions throughout the year fund the account pre-tax and repay the employer.

1

ENROLL

Elect an annual amount based on expected eligible expenses.

2

CONTRIBUTE

The election is generally taken from paychecks before applicable taxes.

3

INCUR

Receive eligible care or buy an eligible item during the plan year.

4

PAY / CLAIM

Use the debit card where accepted or submit a reimbursement claim.

5

SUBSTANTIATE

Keep receipts/EOBs and respond promptly if documentation is requested.

Health FSA advantage: the full annual election is generally available for eligible expenses at the beginning of the coverage period, even though payroll deductions occur over the year.

Using Health FSA funds

Eligible expenses must be for the employee, spouse, or eligible tax dependent and cannot be reimbursed elsewhere.

COMMONLY ELIGIBLE

- Medical, dental and vision deductibles, copays and coinsurance
- Prescription medications
- Many OTC health items and medicines
- Medical equipment and supplies, such as bandages, braces, blood glucose supplies, crutches and wheelchairs
- Certain diagnostic, pregnancy/fertility and breast-pump items
- First Aid Kits
- Sunscreen
- Athletic Braces & Supports
- Blood Glucose Monitors & Test Strips
- Diabetes Care Accessories
- Wheelchairs & Accessories
- Pregnancy & Fertility Tests
- Nasal Spray
- Blood Pressure Monitor
- Breast Pumps & Accessories
- Pain Relievers
- Feminine Personal Care Treatments
- Cough, Cold, & Flu Medicine
- Acne Treatments
- Nicotine Gum & Patches
- Sleep Aids
- Children's Fever & Pain Relievers
- Stomach & Digestive Aids
- Anti-Fungal Treatments

NOT ELIGIBLE / DO NOT DOUBLE-DIP

- Insurance premiums
- Expenses reimbursed by the medical plan, another account or another source
- General health, cosmetic or personal expenses that are not qualified medical care
- Expenses for services not yet received
- Use the eligibility guide or FSA Store for item-level guidance

WAYS TO ACCESS FUNDS

- Pay a qualified merchant with the Medcom debit card
- Submit a claim through the online portal or mobile app
- Submit supporting documentation for direct reimbursement
- Direct deposit may be available for approved claims
- Keep itemized receipts and EOBs even when the card transaction is approved

The Medcom/FSA Store resources are helpful shopping tools; employees should verify an item's eligibility before purchase.

How the Medcom debit card works

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Use at eligible medical, pharmacy, dental, vision and qualifying dependent-care merchants that accept Mastercard and have the appropriate merchant coding.

CARD BASICS

- Mailed after enrollment is processed; within 7–10 business days.
- Card is valid for 3 years.
- Additional cards may be requested for eligible dependents
- Not for ATM withdrawals.
- Card can be used wherever Mastercard is accepted.

IF THERE IS A PROBLEM

- Lost/stolen: use the portal or APP to deactivate and request replacement.
- A transaction may decline when merchant coding or eligibility cannot be confirmed.
- Use another payment method and submit a claim if appropriate.

BEST PRACTICES

- Check the balance before using the card.
- Use only for eligible expenses incurred during the applicable plan period.
- Save all itemized receipts and EOBs.
- Submit receipts through the mobile app or online portal
- The card can be deactivated if requested substantiation is not provided or an ineligible expense is not repaid.
- Must re-enroll each year for funds to rollover

Receipts Request Timeline

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IRS rules require the plan to verify that FSA reimbursements are eligible.

WHAT A RECEIPT / EOB NEEDS

- Provider or merchant name
- Date of service (not simply the payment date)
- Patient name
- Itemized services or products
- Total charge
- Insurance payment, if any, and the participant responsibility
- An EOB may satisfy the requirement when it contains the needed details

WHEN A RECEIPT MAY BE REQUESTED

- Many pharmacy purchases and matching copay transactions can auto-substantiate.
- Other card purchases may require documentation.
- Recurring expenses may be registered with Medcom after initial documentation, where available.
- Employees can upload through the portal/mobile app

RECEIPT REQUEST TIMELINE

- You will receive a letter informing you that the transaction is ineligible and asking you to respond within 20 days. At this point, you have the option of submitting additional documentation or repaying the plan for the expense(s).
- If no sufficient receipt is processed after 20 days, the card may be deactivated.
- Insufficient documentation can result in an expense being classified as ineligible.
- The employee must provide additional documentation or repay the plan; future claims may be offset or handled under the plan's correction process.

Dependent Care Assistance Account (DCA)

A Dependent Care Assistance Plan (DCAP) is a tax-exempt benefit you can use to pay your out-of-pocket expenses for the custodial care of dependents claimed on your federal income tax return. Your account in the Plan is funded by tax-free dollars that you set aside from your paycheck to use as payment for eligible day care type services.

WHO / WHAT IT CAN HELP COVER

- Children ages 12 and under (including stepchildren, grandchildren, adopted or foster children, and children related to you who are eligible for a tax exemption on your federal tax return).

Tax dependents residing with you and incapable of self-care (this could include your spouse, a child aged 13 and over, and elderly parents).

- Daycare, before-/after-school care, preschool/nursery school before kindergarten, babysitters, nannies, summer day camp and qualifying eldercare.

- Care must generally enable the employee (and spouse, when applicable) to work or look for work.

DIFFERENCES FROM HEALTH FSA

- Reimbursements are limited to the balance accumulated through payroll deductions. You can use your debit card if the Daycare provider accepts mastercard. If not, you can file a manual claim and get reimbursed within 3 days.

- Health FSA and DCA balances are not interchangeable.

- \$7,500 annual election limit; or \$3750 is married

- Any unused funds in your DCAP account when the Plan Year ends may be used up to 2 ½ months following the end of the Plan Year. Any unused funds after the grace period and claims run-out period end will be forfeited

NOT COVERED / CAUTIONS

- Overnight camps, educational/tuition costs, food, clothing, entertainment and household services.

- Care paid to a child of the participant.

- Care while on vacation, sick leave, maternity/medical leave or certain other leave may not qualify.

- Provider information and tax reporting requirements apply; confirm eligibility before electing.

You cannot be reimbursed for day care expenses that exceed the available balance that has accumulated through payroll deductions.

Area	Medcom Benefit Solutions
Administration fee	Health FSA / DCAP: \$4.50 per participant per month; \$50 monthly minimum. Setup and renewal fees waived.
Funding / payroll	Daily or weekly funding report. ACH returns: \$25 each; wire: \$15 each. Additional employer bank account fees may apply.
Participant experience	WealthCare portal and mobile app; participants can view transactions, update information and order cards. Electronic account and card notices.
Debit card	All-inclusive card for FSA, Limited Purpose FSA, HSA, HRA, transit/parking and DCAP. One participant card included; dependent/replacement card \$7.50 (waived during OE or IVR request).
Reporting / eligibility	EDI feed, Excel template or online enrollment portal; custom reporting, secure file transfer, month-end and year-end reports.
Claims / reimbursements	Claims processed and paid daily; stated 2–3 business-day turnaround. Direct deposit for manual claims at no added cost.
Account options / design	Health FSA, Dependent Care FSA and Limited Purpose FSA. Administers grace period or rollover, if applicable.
Implementation / support	Dedicated account manager; employer portal training; 24/7 IVR; toll-free customer service Mon–Fri, 8:30 a.m.–5:00 p.m. ET.

- Key HSA/FSA coordination point: employees enrolled in a general-purpose Health FSA generally are not eligible to contribute to an HSA; a Limited Purpose FSA can preserve HSA eligibility.