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Flexible Spending Account Frequently Asked Questions for Plan Year 2013:

Q I don't like the "Use-it-or-lose-it" FSA rule. Why can't my unused funds roll over from year to year?

A There are a number of reasons for this. Section 125 of the IRS tax code determines many of the rules and regulations for FSA's that plan administrators (State of Kansas) must follow. One rule in particular is the rule stating that there may be no deferral of compensation. Specifically, money contributed in one plan year cannot be used or deferred to pay for benefits in another plan year (except during the Grace Period mentioned later on). The main reason for this rule is to prevent adverse selection and/or a participant from using their FSA as a tax shelter. As a result, participants must re-enroll each plan year.

Q What is the difference between a Health Care FSA and a Dependent Care FSA?

A The purpose of a Health Care FSA is to allow a participant to pay for unreimbursed health expenses (deductibles, co-pays, etc.) with contributions made on a pre-tax basis. The purpose of a Dependent Care FSA is to reimburse a participant for incurred dependent day care expenses on a pre-tax basis. Please be advised, a Dependent Care FSA is only for day care expenses, not health expenses for your dependent!

Q Where can I go to find out what expenses are considered eligible under a Health Care or Dependent Care FSA?

A The easiest way to find out if an expense is considered eligible is to go to the ASI website, www.asiflex.com. There you will find an extensive list of eligible FSA expenses. These expenses are determined by IRS/ Department of the Treasury Publications 502 (for Health Care FSA) and Publication 503 (for Dependent Care FSA). These publications are available on the IRS website at www. IRS.gov.

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Q What is the deadline for incurring an eligible expense within a plan year and for filing a claim?

A All eligible Health Care expenses must be incurred between January 1st and March 15th of the following year (includes grace period) to be considered payable for the plan year. The deadline to file a claim for an expense is April 30th following each plan year. Dependent Care expenses do not have a grace period and must be incurred by December 31st each plan year.

(Example 1: A Health Care claim incurred on May 14th, 2012 must be filed by April 30th, 2013 to be payable.)

(Example 2: A Health Care claim incurred during the Grace Period on February 14th, 2012 can either be reimbursed from the 2011 account [if there is a remaining balance] or from the current 2012 account. The participant must instruct ASI as to which account they want the claim reimbursed from.)

Q If I experience a Qualifying Event, when will the change become effective?

A According to Section 125 of the IRS tax code, all eligible changes must be made on a prospective, or “future forward” basis. Participants have 31 days to inform the SEHP, in writing, of a qualified change in status, but the effective date of the change will be the first of the month following the receipt and approval of the change request by the SEHP and not the first of the month from the date of the event. For example, if a participant gets married on March 23rd and doesn’t submit a change form requesting to increase his/her contribution until April 10th, the effective date of the change will be May 1st, not April 1st.

Q If I acquire a dependent child after the first of the year through either childbirth, adoption or via court-order can I still set up a Dependent Care FSA account?

A Yes, the acquisition of a dependent through childbirth, adoption or court-ordered custody is considered a qualifying event and a Dependent Care FSA may be established. For those acquired dependents that are adopted or acquired via court order; the child must be under age 13 to be considered eligible.

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Q If I become effective after the first of the year can I still contribute the annual maximum of $2,500?

A No, the maximum amount a participant may contribute each paycheck to either a Health Care and/or Dependent Care FSA is $104.16.

Q If my spouse loses their job, can I reduce my FSA contribution?

A No, when a spouse loses their job, a stop or reduction of their Health Care FSA is not allowed. The only change that can be made is an increase in the participants FSA contribution, and that is only if the spouse had an FSA at their previous job.

Q If I go on a leave of absence, what are my contribution options?

A When a participant goes on a leave of absence there are three options available:

1. Make a lump-sum pre-payment for the time you're going to be gone, if known.
2. Make after-tax contributions via personal check to SEHP while on leave.
3. Make a catch-up contribution upon the employee's return.

   Note: If catch up contributions are not made then the absence will be considered a period of no coverage and claims incurred during this time will not be reimbursable.

Q Will the debit card continue to be an option for the 2013 plan year?

A Yes, for Plan Year 2013 the FSA Debit Card will continue to be available on a voluntary basis for those who elect a Health Care FSA. For more information please see the Debit Card Q & A.

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Q What happens to my FSA if I retire or leave State employment mid-year?

A When a participant leaves State employment their Health Care FSA will terminate on the first of the month following their last day of employment. For Health Care FSA's, expenses incurred while the FSA was still active may continue to be submitted for reimbursement through April 30th of the following year.

For the Dependent Care FSA, expenses may continue to be incurred after the termination date and submitted for reimbursement until the end of the plan year or until funds are exhausted.

Q My 15 year old step-child will be living with me until the end of the school year. After that, she is moving in with her biological father. I had included her expenses when calculating my annual pledge amount during Open Enrollment; can I lower my contribution amount after she moves out?

A Yes, a change in residence of a dependent child is a change that meets the criteria of a "change in status" that allows for a mid-year election change to be made.

Q When I submit a Dependent Care FSA claim should I claim only what I've contributed for that month or what I actually incurred in daycare cost?

A You should always claim what you actually incurred in daycare cost, even though your actual daycare expenses most likely exceed your contribution amount. Allowing ASI to manage the reimbursement amount will make it less likely that you will have any funds left over at the end of the year, especially if your child unexpectedly no longer needs daycare services.