

## Health Care Flexible Spending Account (HCSA)

A health care Flexible Spending Account (FSA) can help pay or reimburse you for eligible health care expenses not covered by your health plan. The portion of your paycheck deposited into your FSA is removed before federal income taxes, Social Security taxes and most state taxes and is, therefore, a great way to save money. Explore the topics below to learn more:

- [Eligible Expenses](#)
- [Tax Savings](#)
- [Your 2012 Contribution](#)
- [Getting Reimbursed](#)

### Eligible Expenses

Here are some examples of expenses you can pay with your health care FSA:

- Health plan copays and more
- Dental work and orthodontia
- Doctor's fees
- Eye exams and eyeglasses
- Contact lenses and saline solution
- Hearing aids
- Chiropractic treatment
- Laboratory fees
- Over-the-counter items
- Prescriptions
- Mental health counseling

All expenses must be qualified medical, vision, pharmacy or dental benefit expenses, as defined in Section 213(d) of the Internal Revenue Code. A complete list can be found on the ADP FSA website: [flexdirect.adp.com](http://flexdirect.adp.com).

**Effective January 1, 2011 over-the-counter medicines are not FSA-eligible without a doctor's prescription as a result of Health Care Reform.**

### Tax Savings

Generally, contributions you make to your FSA are not subject to federal income taxes or social security taxes. In most instances, there are no state taxes taken out either. The amount you may save depends upon:

- The amount you put into your FSA
- The tax percentage you would normally pay on that money (tax bracket)

Let's say you want \$2,000 taken out of your paycheck this year to put into your FSA. The money you direct into your FSA is taken out of your check before taxes are taken out. That reduces your taxable income by \$2,000.

Let's say you normally pay 30 percent in federal, social security and state taxes on your income. In this example, you would enjoy a tax savings of 30 percent of the \$2,000. In other words, you could get a \$600 tax savings on the \$2,000 you directed to your FSA.

## **Your 2012 Contribution**

Ready to decide the amount you want in your FSA? It's good to plan ahead.

- Consider the medical, vision or pharmacy costs not covered by a health plan. Need dental work? How about contact lenses? Your FSA may help pay for these items and more.
- For 2012, OneBeacon is implementing an in network deductible within the health plans. If you put that money aside in your FSA, you'll be able to use those pre-tax dollars toward meeting your deductible.
- You should look at family changes that might have an impact on your expenses.

The OneBeacon FSA program allows you to contribute \$130 to \$5000 per year – whatever is appropriate for your personal circumstances.

**Just remember this:** FSA dollars are "use-it-or-lose-it" funds. Account balances cannot be carried over from year to year. If you have any unused funds at the end of the plan year, or at the end of any applicable grace period, those funds will be forfeited. OneBeacon offers a plan year extension, allowing for claims to be incurred from January 1, 2012 – March 15, 2013 for the 2012 plan year. And then, you have until May 31, 2013 to file claims for those services. Use-it-or-lose-it is an IRS requirement. So estimate what you want to contribute to your FSA carefully.

## **Getting Reimbursed**

Getting reimbursed is easy. The easiest method is to use your FSA debit card when paying for medical expenses. If your medical expense was a covered service under the OneBeacon medical, pharmacy, dental, or vision programs, those carriers send claims files directly to ADP FSA administration so that the FSA card transaction should automatically adjudicate, without the need to submit additional substantiation. There is typically no need to fill out a paper claim form when using the FSA card.