

VitaFlex



It's About Saving Taxes

Employee Guide



VitaFlex

Medical and Dependent Care Reimbursement Plan

Benefits of Participating

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Plan Rules and Requirements

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VitaFlex Overview

What Is the VitaFlex Flexible Spending Account (FSA) Plan?

The VitaFlex Flexible Spending Account (FSA) Plan is an employee benefit Plan that allows you the opportunity to reduce your taxable income. With this Plan, you may pay for certain medical and dependent care expenses with pre-tax dollars. Your Employer has arranged this Plan so that you can take advantage of these tax savings. These Plans are sometimes known as Section 125 Cafeteria Plans, since Section 125 of the Internal Revenue Code authorizes and governs them.

What Does Pre-Tax Mean?

Pre-tax means your gross pay before income taxes and Social Security taxes are taken out. Paying with pre-tax dollars means the dollars that you would have paid in taxes are redirected and used to help pay your eligible medical or dependent care expenses. In other words, you do not have to pay taxes on the money spent for eligible expenses. Federal income taxes, State income taxes (in most states) and Social Security taxes are all avoided under this pre-tax plan.

How Does the Plan Work?

First, you must accurately estimate your eligible medical and dependent care expenses for the Plan Year. Then, elect that amount of money to allocate into your Medical Reimbursement Account and/or your Dependent Care Reimbursement Account. Your compensation is reduced by this amount via salary reductions and these funds are held as a general asset of your Employer. Once you incur an eligible expense, you submit the claim and you are reimbursed for the expense from your account balance on a tax-free basis.

Why Should I Participate?

- You can elect the exact level of benefits that will equal your personal needs.
- Your take-home pay or annual spendable income may increase.
- You can redirect your medical and dependent care expenses to pre-tax dollars, eliminating federal, state, and Social Security taxes.
- You can pay for already known expenses on a pre-tax basis.
- Every dollar paid on a pre-tax basis results in tax savings to you.

How Does the FSA Plan Increase My Take-Home Pay?

When you participate in the VitaFlex Flexible Spending Account Plan sponsored by your Employer, you redirect your expected medical and dependent care expenses so that they are paid with pre-tax dollars. You lower your taxable income and therefore reduce your annual taxes. Ultimately, this means that you will have more money in your paycheck.

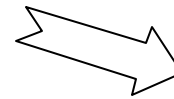


VitaFlex Tax Savings Example

Example of Tax Savings

The example below shows the savings potential for someone earning \$60,000 per year with \$1,200 of budgeted medical expenses, \$4,200 of budgeted dependent care expenses, and \$1,080 of annual premium contributions. An annual tax savings of \$1,860* is available, just by participating in the VitaFlex Reimbursement Plan. The higher your tax bracket, the more you can potentially save by participating in the plan.

	<u>Without VitaFlex</u>	<u>With VitaFlex</u>
Monthly Salary	\$5,000	\$5,000
Actual Expenses – Funded Pre-Tax		
• Medical	\$ 0	\$ 100
• Dependent Care	\$ 0	\$ 350
• Premium Contributions	<u>\$ 0</u>	<u>\$ 90</u>
Income Before Taxes	\$5,000	\$4,460
Taxes (Marginal Bracket)*		
• Federal Income Tax (25%)	\$1,250	\$1,115
• CA State Income Tax (9%)	\$ 450	\$ 402
• Social Security Tax (7.65%)	<u>\$ 383</u>	<u>\$ 342</u>
Income After Taxes	\$2,917	\$2,601
Actual Expenses – Funded After Tax		
• Medical	\$ 100	\$ 0
• Dependent Care	\$ 350	\$ 0
• Premium Contributions	<u>\$ 90</u>	<u>\$ 0</u>
Take Home Pay	\$2,377	\$2,601
Net Pay Increase (Monthly)		\$ 224
Net Pay Increase (Annual)		\$2,688



*Assumes a married California taxpayer with 3 exemptions.

Calculate Your Tax Savings

- Use the worksheets on page 12 of this Guide or
- Use the VitaFlex interactive Tax Savings Calculator on the VitaFlex website at www.vitaflex.net. Click on "Tax Savings Calculator". The password is "vitaflex".



VitaFlex

Important Plan Provisions

Why Does the Plan Have Rules and Restrictions?

The IRS provides significant tax breaks for participating in a Medical or Dependent Care Reimbursement Plan. The IRS allows this because they recognize the fundamental necessity of paying for certain medical and dependent care expenses and they believe that offering tax savings on these expenditures is appropriate. However, in exchange for the tax savings, the IRS does impose certain rules and restrictions on how you can use Medical or Dependent Care Reimbursement Plans, which are very important.

What Does “Use It Or Lose It” Mean?

The most important Plan restriction is the “use it or lose it” rule. You must carefully estimate your annual medical expenses and your annual dependent care expenses prior to your election. If you over-estimate your expenses and do not actually incur enough eligible medical or dependent care expenses during the Plan Year, the balance of your unused salary reduction contributions will be forfeited at the end of the Plan Year.

When Must I Incur Expenses?

- All eligible expenses must be incurred during the specific Plan Year in which you have elected to participate. The Plan Year is January 1st through December 31st. Each Employer outlines a specific claim submission deadline and in some cases an Employer may adopt a grace period that extends the date for incurring claims.
- Eligible expenses must be incurred after your initial eligibility date if you are a new hire and after you have signed the election form.
- Expenses incurred prior to the beginning of the Plan Year, prior to your initial effective date under the Plan, or after the end of the Plan Year are not eligible.
- To “incur” an expense means the date when the participant is provided with the care that gives rise to the expense, not when the participant is formally billed/charged or actually pays for the care.

If your employment terminates, the rules for when eligible expenses must be incurred are different for Medical Reimbursement Accounts and Dependent Care Accounts:

- For Medical Reimbursement Accounts, you may be reimbursed only for expenses incurred prior to your employment termination date. If you elect to continue your Medical Reimbursement Account under COBRA, the eligibility date for incurring expenses may be extended to the end of the Plan Year.
- For Dependent Care Reimbursement Accounts, you may be reimbursed for expenses incurred after your termination, as long as the expense is work related and is incurred prior to the end of the Plan Year.

You have until the specified *claims submission deadline* to submit claims for these expenses, assuming your Employer’s Plan is still active. Please refer to your Summary Plan Description or Plan Detail Document for information on your Plan’s claim submission deadline.

How Much Reimbursement Can I Receive?

- For a Medical Reimbursement Account, the entire annual amount you elected is available to you for reimbursement immediately after your salary reductions start for that Plan Year.
- However, you must continue to make contributions to your account throughout the remainder of the Plan Year.
- For a Dependent Care Reimbursement Account, your reimbursements are limited to the amount you have contributed at any point in the Plan Year.

Can I Transfer My Balance between Medical And Dependent Care Accounts?

No. You must estimate and allocate your medical expenses and your dependent care expenses independently. If you incorrectly estimate your expenses, you cannot transfer your balance between your medical account and your dependent care account. Additionally, you may not transfer your balance to any other person or from one Plan Year to the next.

Does My Participation Affect My Social Security Benefits?

Yes. Your salary reductions through a Flexible Spending Account Plan will lower your taxable wages for future Social Security benefit calculations. This means you pay lower taxes for Social Security and other social benefit programs, but you will also receive commensurately lower future benefits. While participation in the Plan may lower your taxable income for Social Security purposes, generally the benefit difference received from Social Security will be minimal. If you are near your Social Security retirement age or anticipating any disability benefits, you may want to look closely at how a salary reduction might offset your future Social Security benefits.

Does My Participation Affect Other Benefits?

Participating in the Plan will reduce the amount of your taxable compensation. Accordingly, there could be a slight decrease in any employee benefits that are determined based on your taxable compensation. Examples of other benefits that might be affected are pension, disability and life insurance benefits.

Can I Stop Participating or Change My Salary Reduction During The Plan Year?

No, the general rule is that you *cannot change or terminate your election* during the Plan Year. You may change your elections only during the annual Open Enrollment Period for the upcoming Plan Year. There are several specific exceptions to this rule. You may change or terminate your election at any time during the Plan Year if you experience a qualified Change in Status or one of the other specific mid-year exceptions to the irrevocability rules as specified by the IRS. The rules about Election Changes and Status Changes are complex. More details are described on pages 10-11 of this Employee Guide and in your Summary Plan Description.

Can I Claim The Same Expense Twice?

No. It is important to understand that you may not submit a claim for reimbursement for any expenses that have been, will be, or have the potential to be reimbursed by any other source. All other potential reimbursement sources must be exhausted prior to a claim being eligible. Submitting expenses for duplicate reimbursement is considered tax fraud. Penalties for such fraud are severe and include payment of state and federal back-taxes and interest.

What Is A Plan Year?

The Plan Year is January 1st through December 31st. Each Employer outlines a specific claim submission deadline and in some cases an Employer may adopt a grace period that extends the date for incurring claims. Please refer to your Employer-specific plan documentation for these dates.



VitaFlex Medical Plan Provisions

How Does The Plan Work?

The Plan allows you to use pre-tax dollars to pay for eligible medical expenses that are not fully covered or not covered at all under your group health insurance plan. Only certain expenses will qualify to be reimbursed under this Plan. The Internal Revenue Service provides guidelines on which expenses are eligible to be reimbursed in Section 213 of the IRS Code and the accompanying regulations. Normally, only those IRS-approved health care expenses that exceed 7.5% of your adjusted gross income qualify as a deduction on your itemized personal income tax return. With the VitaFlex Reimbursement Plan, you can realize tax savings immediately on all eligible medical expenses. Since you contribute to the account on a pre-tax basis, you save the taxes that you would otherwise have to pay.

Which Medical Expenses Are Eligible?

Only medical, dental, or vision expenses *not* reimbursed by an insurance plan or any other source are eligible for reimbursement under the plan. To be considered eligible, the service or product must be used for medical reasons only. For example, physical therapy for general well being or cosmetic services would not be considered eligible. Non-prescription drugs that are available “Over-the-Counter (OTC)” can be eligible, but only when they are used to treat an illness or injury and when purchased in reasonable quantities.

Page 7 of this Employee Guide includes a partial listing of health care expenses that are generally eligible for reimbursement from a Medical Reimbursement Account. Generally, the direct guidance from the IRS on eligible expenses under an FSA plan is limited. Consequently, VitaFlex has developed detailed policies on the eligibility of expenses. The VitaFlex policies and procedures directly apply all available guidance from the IRS. IRS Publication 502, “Medical and Dental Expenses” outlines eligible medical expenses for personal tax deduction purposes. You may order a current copy of IRS Publication 502 for your reference by calling the IRS at 800-829-3676 or by visiting www.irs.gov. However, please note there are certain items that may be eligible for personal tax deduction and thus listed in Publication 502 that are NOT eligible expenses under the VitaFlex Plan.

In addition, *please note that Section 125 and Publication 502 have different rules on when an expense must be incurred.* To “incur” a health care expense, as defined by Section 125, means the date when the participant is provided with the care that gives rise to the health expense, not when the participant is formally billed or charged or actually pays for the care. To “incur” a prescription means the date the pharmacy actually fills the prescription, not the date it is called in, dropped off, or picked up.

Which Medical Expenses Are Not Eligible?

The IRS has provided specific guidelines for expenses that may not be reimbursed on a pre-tax basis. Certain health care expenses are not considered to be qualified and thus are not eligible for reimbursement, *even if they are prescribed by a physician.* Health care related expenses are not eligible if they are not directly for medical purposes or not deemed medically necessary. In general, expenses must not be for cosmetic purposes. Non-prescription drugs and medicines available over-the-counter must be used to treat a medical condition and not used simply for general health. Therefore, vitamins, dietary supplements, cosmetic drugs, and personal toiletries are not eligible. Page 7 includes a partial listing of medical expenses not eligible for reimbursement.

Common Eligible Medical Expenses

Following is a list of common eligible medical expenses. This list is not exhaustive, but provides an overview of the type of expenses that may be eligible under the VitaFlex Plan.

Medical Services

- Ambulance Expenses
- Birth Control Pills
- Christian Science Fees
- Coinsurance
- Copayments
- Deductibles
- Hospital Expenses
- Immunizations and Vaccinations
- Laboratory/X-ray Fees
- Physician Fees
- Rx Drug Copayments
- Routine Physical Exams
- Sterilization Expenses
- Surgical Expenses
- UCR Excess Charges

Other Services

- Childbirth Classes
- Fertility Treatments
- Sales Tax on Medical Items

Dental Services

- Dental Care
- Dentures
- Orthodontia (only treatment incurred during Plan Year)
- Dental Exams
- Occlusal Guards
- Implants

Vision Services

- Corrective Contact Lenses
- Eye Exams
- Eyeglasses (corrective)
- Laser Eye Surgery
- Prescription Sunglasses

Durable Medical Equipment

- Blood Pressure Monitoring Device
- Crutches
- Hearing Aids
- Oxygen
- Wheelchair

Therapy*

- Acupuncture
- Chiropractic Care
- Counseling Services
- Drug/Alcoholism Treatment
- Massage Therapy
- Physical Therapy
- Psychiatry
- Psychologist Fees
- Speech Therapy

Over-the-Counter Items

- Allergy Medication
- Antacids
- Bandage Materials
- Canker & Cold Sore Relief
- Cold & Sinus Medication
- Contact Lens Solution
- Contraceptive Devices
- Pain Relievers
- Scar and Wound Ointment
- Smoking Cessation Products

* *These expenses require confirmation of medical diagnosis and a statement of the medical necessity of the specific treatment.*

Common Ineligible Medical Expenses

Following is a partial list of common medical expenses that are not eligible for reimbursement. This list is not exhaustive, but provides an overview of the type of expenses that are **not** eligible under the VitaFlex Plan.

Over-the-Counter Items

- Anti-Aging Products
- Beauty Products
- Bottled Water
- Cosmetics
- Dental Floss
- Diapers
- Food (any type for any reason)
- Herbal Supplements
- Sexual Enhancers
- Toiletries
- Toothpaste or Toothbrush
- Vitamins
- Any OTC Products used for general health or well-being
- Any OTC Products purchased in stockpile quantities

Personal Care/Well Being

- Counseling for Relationship or Personal Growth
- Custodial Care
- Domestic Help Expenses
- Food Expenses (even if part of a weight loss program)
- Health Club Memberships/Dues
- Massage Therapy for general health or relaxation
- Nursing Care for home care of healthy newborn
- Physical Therapy without medical
- Psychotherapy for Relationship or Personal Growth
- Social Activities or Programs
- Stress Management Classes/Therapy

Dental Services

- Cosmetic Dentistry
- Orthodontia (any treatment incurred outside the Plan Year)

Other Services

- Funeral or Burial Expenses
- Health Insurance Premiums
- Home or Automobile Insurance
- Long Term Care Expenses
- Long Term Care Premiums
- Marijuana or Other Illegal Substances
- Maternity Clothes
- Parking Fees
- Transportation Expenses
- Weight Loss Programs

Questions about Eligible Expenses

There are many expenses that may not be listed on either the eligible list or the not eligible list. If you have questions about whether an expense is eligible, please seek clarification prior to making an election to participate. If you plan on having an expense reimbursed and you later find out that it is not eligible, you may not change your election. *The best resource for claim eligibility is the searchable database on the VitaFlex website at www.vitaflex.net.* For additional information regarding eligibility of certain expenses call Vita at 650-966-1492 or at 800-424-3052.



VitaFlex Dependent Care Provisions

The Dependent Care Reimbursement Account allows you to pay for out-of-pocket, work-related dependent care costs with pre-tax dollars. The rules regarding eligible dependents, eligible expenses, and other Plan restrictions are outlined in the following two pages. Refer to your Summary Plan Description for details of all Plan provisions.

Who Qualifies As A Dependent?

There are two types of qualifying individuals. These include your:

- Dependent child under the age of 13
- Spouse or other dependent who is physically or mentally unable to provide for his or her own care and who spends a minimum of 8 hours per day in your home.

A “dependent” is someone you actually claim as a dependent on your federal income tax return (for the purposes of VitaFlex Plan eligibility).

What Dependent Care Expenses Are Eligible?

- Expenses paid to a dependent care *center* or dependent care *provider*. If care is provided at a day care *center*, it must be licensed according to the laws of the state where the provider is located.
- Expenses paid to an in-home dependent care provider.
- Expenses paid for pre-school education.
- Expenses paid to an adult day care facility for a qualified dependent.
- Expenses paid for after school care or summer camps that are *primarily custodial* in nature.

What Dependent Care Expenses Are Not Eligible?

- Certain expenses related to dependent care are not considered eligible, including, but not limited to, registration fees, diaper fees, transportation fees, and late payment fees.
- Expenses for classes, educational enrichment programs, or after-school programs that offer an educational element are not eligible expenses. Examples of expenses that are not eligible include, but are not limited to, language classes, SCORE, tutoring, gymnastics lessons, piano lessons, certain summer camps and sports classes or leagues.

Are There Restrictions On Plan Participation?

You must actually be at work while your eligible dependent is provided care. If you are married, both you and your spouse must be working while care is provided to your eligible dependent. Generally, one of the following eligibility guidelines must also be satisfied:

- If you are married, your spouse must be working and generating income; or
- You must be a single parent; or
- Your spouse must be a full-time student at least 5 months during the year while you are working; or
- You are divorced and your child is in your custody.

Must Expenses Be Work Related?

Yes. The IRS only provides a tax break for dependent care expenses incurred while you are working or looking for work. To be eligible, the expenses must be necessary in order for you (or you and your spouse) to remain gainfully employed and must be incurred while you are actually working.

What Is The Maximum Salary Reduction?

If you are married and file a joint tax return or if you are a single parent, the maximum annual salary reduction is \$5,000. If you are married and file separate tax returns, the two separate Dependent Care elections must add up to \$5,000. Additional guidelines are outlined below.

- You may not claim reimbursement for dependent care expenses which are greater than your earned income or your spouse's earned (taxable) income, if you are married.
- If your spouse is a full-time student or is incapable of self-care, then spousal income will be presumed to be \$250 per month if one dependent is receiving care and \$500 per month if two or more dependents are receiving care.
- The \$5,000 maximum may be split in any way between spouses. However, if one spouse earns less than the annual Social Security wage base, deferring the money under the person who earns less will save more taxes since Social Security taxes will not be paid on the salary deferral.

What Restrictions Are There Regarding Who May Provide Dependent Care?

- The care provider may not be your spouse.
- The care provider may not be one of your children or your dependent, unless he or she is at least 19 years of age.

How Do Dependent Care Accounts Compare To The Dependent Care Tax Credit?

The circumstances that determine which option offers greater savings vary from family to family. Therefore, the decision to choose the tax credit or the dependent care salary reduction can only be made by carefully examining your personal situation. As a rule, if your combined family income is under \$15,000, you should not participate in this Reimbursement plan as the Dependent Care Tax Credit will be more tax advantageous. If your combined income is between \$15,000 and \$43,000, you need to examine your circumstances very carefully as one plan may be better depending on your exact income and the number of dependents receiving care.

Generally, if your combined household income is \$43,000 or more, participation in this VitaFlex Plan may be more advantageous than the Dependent Care Tax Credit. VitaFlex provides an immediate tax deduction, whereas the tax credit is filed at the end of the year. Additional information may be found in your Summary Plan Description. We recommend consulting your tax advisor regarding whether it is more advantageous to participate in an FSA plan or to take the tax credit.

Reporting Dependent Care Expenses On Form 1040 (All Dependent Care Expenses must be reported on IRS Form 2441)

When a participant fails to use all of their Dependent Care Plan Election, the IRS does not require the participant to pay taxes on the unused balance. Your Employer will report all Dependent Care salary reductions in Box 10 on your W-2. You will need to fill out the same amount on Form 2441. When figuring your exclusions, enter the amount forfeited on Form 2441 or Schedule 2 (Form 1040A). This will prevent you from being taxed on any forfeiture for the Plan Year.

Questions about Eligible Expenses

You are responsible for making sure the expenses you submit for reimbursement are considered eligible expenses by the IRS. IRS Publication 503, "Child and Dependent Care Expenses", identifies the approved deductions for child and dependent care and reviews the tax credit for childcare available to certain individuals. You may order a current copy of IRS Publication 503 by calling the IRS at 800-829-3676 or going to www.irs.gov. However, please note that Section 125 and Publication 503 have different rules on when an expense must be incurred. To "incur" a dependent care expense, as defined by Section 125, means the date when the dependent is provided with the care that gives rise to the dependent care expense, not when the participant is formally billed/charged or actually pays for the care.



VitaFlex Making and Changing Elections

How Do I Make An Election?

You must complete and make a formal election when you first become eligible under the Plan. Please check with your Human Resources Department in order to confirm your Employer's VitaFlex election process.

You must also make a formal election each Open Enrollment period for the next Plan Year (January 1st through December 31st). The Open Enrollment period usually occurs anywhere from late October to early December. Your Employer will educate you on the Open Enrollment process each year.

If you do not submit a new election form by the scheduled Open Enrollment due date, your participation will terminate at the end of the Plan Year and your salary reductions will automatically return to zero for both the Medical and Dependent Care Reimbursement accounts for the following Plan Year. By contrast, the pre-tax premium election you make for participating in your Employer's health plans is an evergreen election and will not be terminated or changed unless you specifically request it during an annual Open Enrollment.

When Can I Change My Election?

The election you make is considered irrevocable for the Plan Year and cannot be changed until the end of the Plan Year. You may change your election annually at Open Enrollment. You will receive Open Enrollment materials annually before the new Plan Year from your employer. All forms must be returned by the deadline established by your Employer. Open enrollment elections are effective on January 1st of the following year.

There are several specific exceptions to this Irrevocability Rule. If you experience a qualified status change during the Plan Year, or if you experience one of the other special exceptions to the Irrevocability Rule, you may change your election. However, your new election must be specifically on account of and consistent with the status change that occurred. The IRS has many complex rules surrounding election changes. Please refer to your Summary Plan Description for full details.

What Is A "Status Change"?

A Status Change is a material change in your personal, employment or family situation that affects your participation in or eligibility for your employee benefit plans. The IRS rules governing Status Changes are very specific and detailed and only allow certain changes. The IRS also requires that any election changes made must be consistent with the status change. This requirement means the change must be on account of and correspond to the status change. For more detailed information on Status Changes and Election Changes, please refer to your Summary Plan Description.

What Must I Do To Change My Election?

You must complete a VitaFlex Change of Election form indicating your requested election change. To be considered, your form must be received by your Employer within 30 days of the Status Change or other approved change date. If approved, the change will be made as soon as administratively possible. Election changes cannot be made or applied retroactively.

What Are The Rules For Status Changes?

In order to change your Medical Reimbursement, Dependent Care Reimbursement or Premium Salary Reduction election, your change of status must fit into one of the following "Change of Status" categories defined by the IRS. Additionally, the requested change must be "consistent" with the status change. Generally, this means that your election change must be on account of and correspond to the status change. In addition, your eligibility for benefits must be affected in order to qualify. Simply having a change in benefits without an eligibility change will not generally qualify as a valid status change. Following is the list of eligible status changes:

1. Change in your legal marital status (marriage, divorce, death of spouse, legal separation).
2. Change in your number of tax dependents (birth, adoption, placement for adoption).
3. Change in Employment Status (any change in the employee's or spouse's employment that affects benefit eligibility, including termination or commencement of employment, strike, commencement or return from unpaid leave of absence, a change in worksite, or any change in employment or work schedule that affects eligibility for benefits).
4. Termination or commencement of employment for you, your spouse or your eligible dependents.
5. Change in your dependent's eligibility (either satisfying or ceasing to satisfy eligibility requirements including attainment of age limit, gain/loss of student status, marriage, etc.).
6. Commencement or termination of adoption proceedings.

What Other Reasons Qualify for Mid-Year Election Changes?

There are several other circumstances which allow for a mid-year election change. These special cases are listed below. In all cases, the election change must be consistent with the election.

1. Mid-Year Change in Cost or Coverage - Applies only to Dependent Care and Premium Salary Reductions, not to Medical Reimbursement. If the cost of dependent care changes, a new corresponding election may be made. However, this exception does not apply if care is provided by a relative.
2. HIPAA Special Enrollment Rights.
3. COBRA Qualifying Events.
4. Judgment, Decree or Court Order.
5. Entitlement to Medicare or Medicaid.
6. FMLA Leaves of Absence.



VitaFlex Expense Worksheets

Medical Reimbursement Plan Expenses

Medical Expenses

- Deductibles _____
- Coinsurance & Copayments _____
- Prescription Drug Costs _____
- Over-the-Counter Medication and Product Costs _____
- Other Expenses not Fully Reimbursed under Health Plan _____
- Chiropractic/Physical Therapy/Acupuncture Fees* _____

Medical Expense Total (Do **not** include any premiums.)

*These expenses must be medically necessary and must include a medical diagnosis.

Dental Expenses

- Deductibles _____
- Coinsurance & Copayments _____
- Preventive Care (Exams and X-rays) _____
- Basic Care (Fillings) _____
- Major Care (Crowns and Bridges) _____
- Orthodontia* _____

Dental Expense Total

*Please refer to the VitaFlex website and read the "Orthodontia Reimbursement Guidelines" before electing for Orthodontia.

Vision Expenses

- Eye Exams _____
- Eyeglasses, Prescription Sunglasses & Contact Lenses _____
- Contact Lens Supplies _____

Vision Expense Total

Other Eligible Unreimbursed Medical Expenses

Medical Reimbursement Account Total

Your Marginal Tax Bracket (Typically between 15%-46%)

X

Estimated Tax Savings

Dependent Care Reimbursement Plan Expenses

- Dependent Day Care Expenses _____
- In-home Childcare Expenses _____
- After School Care or Eligible Summer Camp Expenses _____
- Other Dependent Care Expenses _____

Dependent Care Reimbursement Account Total

Your Marginal Tax Bracket (Typically between 15%-46%)

X

Estimated Tax Savings



VitaFlex

Documentation Requirements

Must I Substantiate My Claims For Reimbursement?

Yes. The IRS requires specific documentation of eligible expenses. Detailed documentation is required to substantiate all medical and dependent care claims. Do not include any expenses that cannot be appropriately documented in your estimated reimbursement calculation, as they cannot be reimbursed.

What Documentation Must I Provide For Medical Expenses?

Medical expense claims require appropriate documentation, such as insurance company Explanation of Benefits (EOB), medical supply bills, copayment receipts or other third-party documentation confirming expenses incurred (must identify the provider, the charge, the type of service and the date of service). Additionally, provider billing statements may also be used, but they must include the participant name, dates of service, type of service, and in certain circumstances a diagnosis code.

Detailed billing statements or a copy of an EOB or other confirmation of insurance payment (or declination of payment) is requested to confirm the level of payment already made by an insurance company or HMO provider. Following are some further guidelines for necessary documentation:

- For prescription expenses, a copy of the Rx receipt provided by the pharmacy, indicating name of medicine, date dispensed, name of person for whom dispensed, and amount paid (a cash register or credit card receipt is not sufficient).
- For over-the-counter medicines and other eligible over-the-counter products, a copy of the cash register receipt (or other similar receipt) itemizing the individual product and date purchased.
- For orthodontic treatment, a copy of the treatment plan including the banding date, the estimated date of completion, the total out-of-pocket expense, and any applicable insurance information. For further details, please visit the VitaFlex website at www.vitaflex.net and click on "Orthodontia Reimbursement Guidelines".
- Reimbursement of some medical expenses (but not including those listed under the "Therapy" section on page 7) requires confirmation of medical diagnosis and a statement of the medical necessity of the treatment. For additional information regarding documentation, please refer to the VitaFlex website at www.vitaflex.net.
- When medical necessity must be confirmed, claims must include a statement of medical necessity. For an example of the necessary statement, please visit our website at www.vitaflex.net and click on "Medical Necessity" under "Claim Guidelines".

What Documentation Must I Provide For Dependent Care Expenses?

For dependent care expenses, a receipt is always necessary. The receipt must identify the dependent's name, the provider's name, the dates that care was provided, and the amount charged for the care. Receipts for home day care may be hand written, but they must include all of the above requirements as well as the signature of the provider. The Tax ID Number or Social Security Number of the provider must be included on the claim form or be on file with VitaFlex. Vita also provides a consolidated Dependent Care Claim form that may be used instead. You may use this claim form and have your provider sign it if this is more convenient for you. Please visit the VitaFlex website to download this form.

What Documentation Is Inadequate?

Documentation for medical expenses must include the provider name, patient name, date of service, type of service, amount charged, and the amount, if any, covered by insurance. For dependent care, the information addressed in the above question must be present on all documentation in order to be considered sufficient. *Credit card receipts, balance forward billing statements, and cancelled checks are all examples of documentation that are not sufficient.*



VitaFlex Claim Guidelines

How Do I Submit Claims?

- Claim Kit:** The VitaFlex claim reimbursement system is designed to be user-friendly and convenient for you. You will receive a Claim Kit with complete instructions and claim forms shortly after your election. Claim forms for medical expenses and for dependent care expenses are separate.
- Claim Deadlines:** Generally, claims with complete documentation are processed in one to two working days. If you receive your reimbursement via your paycheck, generally the deadline is six to ten days prior to each pay date, depending on your Employer. You will receive a reimbursement schedule in the Welcome Letter included in your Claim Kit. If you receive your reimbursement via direct deposit, your reimbursements will be deposited into your bank account on Fridays. If you submit your claims with full documentation by Monday at 5 pm, you will receive your reimbursement the following Friday.
- Submitting Claims:** You must complete a claim form and mail or fax it to the VitaFlex office along with the required documentation. *Faxed or emailed claims are received and processed faster.*
- Bundling Claims:** You may bundle your claims and submit claims for multiple expenses together. Multiple medical expenses can be reimbursed on one Medical Claim Form or multiple dependent care expenses on one Dependent Care Claim Form. However, claims for medical expenses and dependent care expenses must be filed separately on their respective claim forms.

How Are Reimbursements Made?

- Reimbursements:** You will receive your reimbursement either in your paycheck or through direct reimbursement (as a check or direct deposit into your bank account). The reimbursement method is chosen by your Employer. You will receive an Explanation of Benefits prior to each reimbursement.
- Explanation of Benefits (EOB):** Your VitaFlex EOB will explain whether the claims you submitted were eligible, how they were processed, and when you will receive your reimbursement. You will receive your EOB in one of three different ways:
1. E-mail with a PDF attachment of your EOB
 2. U.S. Mail
 3. E-mail notification that a claim has been processed with a link to the VitaFlex website, where you can log in to your account and receive your reimbursement information.

How Can I Access Account Information?

- Quarterly Statements:** You will receive a statement showing the activity and account balances for your Medical FSA and/or Dependent Care FSA after the close of each calendar quarter.
- Online Access:** You may check your account status, review claims processed, and print prior EOBs online at www.vitaflex.net. Click on "Log On to VitaFlex Account" on the main web page. This is a secure site and you will be required to set up a login and a password the first time you use the site. You will need your company code in order to initially set up your account. Please call Vita Administration Company at 650-966-1492 or 800-424-3052 if you have any questions.



VitaFlex Premium Contributions

What About My Health Insurance Premium Contributions?

In addition to tax savings from medical and dependent care expenses, you may save taxes on your contribution to the health insurance premiums under your Employer-sponsored group health insurance plans. The tax advantages work the same as the medical and dependent care reimbursement plans. This opportunity to redirect your required premium contributions also allows for additional tax savings!

How Do Salary Reductions For Group Health Plan Premiums Work?

You simply elect to reduce your compensation by an amount equal to the required medical and/or dental insurance contribution for the coverage you are electing (for yourself or your family). Your Employer then agrees to provide you with the health and/or dental insurance coverage you have elected.

If you elect not to participate in the health insurance plans, you will receive your full compensation in lieu of making a salary reduction and receiving health benefits. You may elect not to participate in the salary reduction options and have your contributions taken on an after-tax basis if you prefer. You must communicate this preference to your Employer.

If you elect to participate in the pre-tax premium salary reductions (as most employees do), your health plan coverage elections become irrevocable for the Plan Year, just as your FSA elections do. If you pay your portion of your health plan premiums on a pre-tax basis, then your coverage elections may not be changed unless you experience a qualified status change or other special exception to the irrevocability rules.

How Do I Sign Up?

Your Employer's group insurance contribution form offers you the option to pay for premiums on a pre-tax basis. Simply read and sign the contribution form and your premium contributions will automatically be redirected to pre-tax salary reductions. You will save additional income taxes and payroll taxes on these premiums. If you prefer to pay your health plan premiums on an after tax basis, you must advise your Employer of this in writing.

Do I Need To Sign Up Every Year?

Unlike the Medical and Dependent Care elections, your election to pay for premium contributions on a pre-tax basis is a perpetual election. You do not need to re-authorize your pre-tax salary election each year, unless you want to change your election. Any change in required Employer contributions for your health plan coverages will automatically change your pre-tax salary reductions.

Are There Any Negatives?

The salary reductions for premiums reduce your taxable compensation, which is how you save taxes. This reduction may cause a reduction in your taxable wages for Social Security and other wage-based insurance or benefit programs. Generally, only employees who are retirement age or whose gross household wages are relatively low will consider opting out. In most cases, the tax savings are substantial enough to offset any slight reduction in social benefit programs.



VitaFlex

Commonly Asked Questions

I've Heard About Discrimination Tests . . . How Does This Work?

The IRS rules require that the Plan be nondiscriminatory, which means it cannot provide benefits which favor highly-compensated or key employees. Each year, the Plan must pass tests to confirm that no discrimination exists. Sometimes, it may be necessary to modify your election(s) downward if you are a Key Employee or a Highly Compensated Individual (as defined by the IRS). This action would only be taken to prevent the plan from becoming discriminatory within the meaning of the federal income tax law.

What Happens When I Terminate?

When your employment terminates, your salary reductions terminate. You have the option to continue your Medical Flexible Spending Account under Federal COBRA coverage continuation provisions described in your Summary Plan Description. You can continue to incur Dependent Care claims and submit the receipts towards any unused balance after your termination date as long as you and your spouse are working or looking for work.

Where Does My Money Go?

Contributions to your accounts don't "go" anywhere. When contributions are made by reducing your compensation each paycheck, they are accounted for in your personal Medical Reimbursement Account or Dependent Care Reimbursement Account. Your salary reductions are held as a general asset of your Employer and are subject to all creditors; there is no separate trust account. The actual money is simply retained by your Employer until you submit a claim for your eligible expenses. At that time, your Employer provides reimbursement with tax-free dollars. If your Employer goes out of business, your salary reductions may be forfeited and normal Plan guidelines for submitting claims may change.

What Happens To Money That Is Forfeited?

Money that is forfeited under the Plan returns to the Employer and is used to offset plan losses and the cost of administering the plan.

Do I Need To Change Insurance Providers To Participate?

The VitaFlex Plan is not tied to any insurance plan or company; therefore, there is no need to change insurance providers. You may participate in the VitaFlex Medical and Dependent Care Plans even if you have waived coverage under your Employer's health plans because you are covered through a spouse's plan or other plan.

Do I Need To Be Covered Under My Employer's Health Plan?

No. You may elect to participate in the Medical or Dependent Care Reimbursement Plan whether or not you or your dependents are actually covered under your Employer's health plan.

What Is VitaFlex?

VitaFlex is a Flexible Spending Account (FSA) program designed to administer Medical and Dependent Care Reimbursement plans. Your Employer has retained Vita Administration Company to administer your plan.

How Do I Contact Vita?

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