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General Information

1. What are Flexible Spending Accounts (FSAs)?

Flexible Spending Accounts are designed to help employees pay for health care expenses not covered under the medical plans offered through the employer, as well as expenses for dependent care. These accounts allow employees to set aside pre-tax dollars to reimburse the out-of-pocket medical, dental, vision, and dependent care expenses incurred by the employee and his/her dependents.

2. What is the pricing for the Medica Direct FSA?

Check with your broker or Medica Account Executive for current pricing.

3. What are the FSA Account Options?

Health Care Flexible Spending Account (Health Care FSA) and Dependent Care Flexible Spending Account (Dependent Care FSA) .

Employers offering the Medica Direct FSA can choose to offer:

- Health Care FSA
- Dependent Care FSA
- Both FSAs

4. What happens to an employees account if they terminate employment?

Reimbursement can only be requested for eligible medical and dependent care expenses incurred before the date of termination, unless the employee qualifies and elects COBRA continuation coverage to continue their health care spending account. If an employee terminates employment during the year and does not elect COBRA, he/she has 90 days to submit claims to his/her Flexible Spending Account. These claims must be incurred prior to the date of termination.

5. What if an employee has more in expenses than he/she has contributed to his/her Flexible Spending Account?

The annual amount an employee has elected for the Health Care Flexible Spending Account is available at any time throughout the plan year.

The amount available for reimbursement from the Dependent Care Flexible Spending Account is limited to the balance in the account available at the time of claims submission, or the employee's year-to-date payroll contribution.

If expenses are more than an employee's FSA contributions, he or she will need to pay these out-of-pocket. Employees can only change their FSA elections with a qualifying event. These are the same as for making changes to other healthcare elections.

6. What if an employee does not have medical coverage through Medica? Can he or she still participate in the Health Care and Dependent Care Flexible Spending Accounts?

Yes, these employees can still participate in the Flexible Spending Accounts.

The purpose of these programs is to cover expenses not covered by medical and/or dental plans and to cover dependent care expenses.

With careful planning, a Health Care FSA can be a cost-effective alternative to cover eligible medical expenses.

For employees who enroll in the option, they will not receive a Medica ID card, but will receive a Welcome Packet with specifics on how to file a claim, sign up for direct deposit, etc.

7. What happens if an employee still has money in his or her FSA account at the end of the year?

Encourage employees to review their estimated expenses carefully. Make it clear that employees will not have contributions refunded if they do not use all of their FSA dollars. The IRS requires employees to use all of the money in their flexible spending account(s) to reimburse themselves for eligible expenses incurred during the plan year.

Any money left unspent in the FSA account(s) at the end of a plan year must be forfeited. Therefore, it is important that employees estimate annual FSA elections carefully when making their election decisions. To enable employees to use their account(s) for expenses they incur at the end of the plan year, they will have an additional run out period into the following plan year to submit claims incurred prior to the end of the initial plan year. This is generally 90 days after the end of the plan year.

Example:

	Plan Year	Incurral Period	Run out Period
Old regulations	January 1 – December 31	January 1 – December 31	Generally 90 days after the end of the incurral period
New regulations	January 1 – December 31	January 1 – March 15 (of the following year)	Generally 90 days after the end of the incurral period

8. What is the maximum amount employees can contribute annually to each Flexible Spending Account?

These amounts are determined by you, the employer, but the IRS has a limit of \$5000 per year for Dependent Care elections.

Many employers mirror the \$5000 Dependent Care maximum for Health Care FSA, but this is not required. Your specified maximum can be higher or lower.

9. How can an employee get a check reissued?

The employee should call Medica Customer Service if he/she has a stale dated or a lost check and Medica will send the employee a lost check agreement to complete. You as the employer will also need to sign verifying that the check has not been cashed. Employer will fax or mail lost check agreement to Medica Direct for processing.

10. Do FSA election forms need to be dated and signed prior to the plan year?

Yes.

11. How does the ACH process work for direct deposits?

After a "Check Run", Medica Direct will "pull" money from the Group account for those payments designated as ACH/Direct Deposit, and simultaneously, a transfer of money is performed by depositing into the member's account (via ACH/Direct Deposit) directly from the Medica Direct account.

If the ER/Group has "blocked" or "filtered" the Bank Account, and Medica Direct is unable to "pull" those dollars to cover those ACH/Direct Deposit amounts, Medica Direct will still be depositing the monies directly to the member's account, but would need the money from the group still.

Health Care Flexible Spending Account

12. What is a Health Care Flexible Spending Account (Health Care FSA)?

A Health Care Flexible Spending Account (Health Care FSA) allows employees to set aside pre-tax dollars for health care expenses not covered by insurance. Employees may use their Health Care FSA to be reimbursed for health care expenses incurred themselves and by their dependents that are not reimbursed by a health care plan.

In general, health care expenses that can be reimbursed under this plan include amounts paid towards the diagnosis, cure, treatment or prevention of disease or for the purpose of affecting any structure or function of the body.

Employees designate an amount of money to be withheld from their paycheck and “pay themselves back” when they file a claim. This election is made once a year and cannot be changed without a qualifying event.

Note that the full healthcare FSA election is available to employees the first day of the plan year.

13. What are some expenses that are eligible for reimbursement under the Health Care FSA?

Some of the most commonly reimbursed expenses are: deductibles, copays and coinsurance amounts from the medical insurance plan, prescription drug copays, approved over-the-counter medications, dental expenses, orthodontic expenses for adolescents, vision expenses (including glasses, contacts, contact supplies & prescription sunglasses), laser eye surgery, hearing exams, hearing aids and batteries.

For a complete list of eligible expenses, please refer to IRS publication 502 <http://www.irs.gov/pub/irs-pdf/p502.pdf>

14. What are some expenses that are not eligible for reimbursement under the Health Care FSA?

Cosmetic procedures of any kind, and supplies (even if prescribed by a doctor), orthodontics for adults (without a letter of medical necessity) and insurance premiums.

For a complete list of eligible and ineligible expenses, please refer to IRS publication 502 <http://www.irs.gov/pub/irs-pdf/p502.pdf>

15. What if we have employees who are also enrolled in a Health Savings Account?

For employees enrolled in a Health Savings Account (HSA), their FSA claims are limited to medical and vision expenses under the Medica Direct plan.

If an employee has a Health Savings Account, but is no longer making contributions, their FSA claims are not limited by the HSA.

16. How do employees file a claim?

To file a claim, employees may complete an FSA Claim Form and attach their Health Care and or Dependent Care receipts that include the date of service, total charge, name of the provider, quantity (e.g. drugs) and a description of the item/service. Forms are available at www.medica.com under Quick Links (Medica Direct sign-on). Login and visit the FAQ/Forms sections.

Additionally, forms will be included in the enrollment materials that are mailed to the employee's home address following enrollment.

Employees can always submit claims manually using the FSA claim form. The FSA administrator will check for duplicate claims to ensure that claims rolled over automatically from the health plans are paid once.

17. How often can an employee submit reimbursement requests?

Claim requests can be submitted at anytime via fax or mail. Reimbursement requests need to be submitted at least 5 business days prior to the check processing date.

Explain your reimbursement schedule to your employees – keeping in mind that that your FSA checks may not process weekly. If you would like a schedule/calendar to share with employees, please ask your Sales or Account Management team.

18. How are orthodontic expenses eligible for reimbursement under the Health Care Flexible Spending Account?

Orthodontic claims can be reimbursed as they are incurred, or in full if the employee pays for the entire amount of treatment when services begin. With the first request, employees will need to submit a copy of the Truth in Lending Statement or their contract itemizing the treatment period, down payment, and, if applicable, monthly payment.

For monthly payments employees will submit a copy of their monthly payment coupon or itemized bill each time they request reimbursement for ongoing treatment.

19. Can health care providers be paid directly from the Health Care Flexible Spending Account?

No. Reimbursement can only be made to the employee. Employees are responsible for remitting payment to their health care providers.

20. What happens if an employee needs to change his or her Health Care FSA election mid-year?

IRS regulations do not allow employees to stop, start, or change their contributions at anytime during the plan year UNLESS they experience a qualified change in family status.

Examples include marriage, divorce, birth, adoption, or a change in the employee or the employee's spouse's employment status. Please keep in mind that the election change must be consistent with the event.

Dependent Care Flexible Spending Account

21. What is a Dependent Care Flexible Spending Account (Dependent Care FSA)?

Dependent Care FSAs allow employees to set aside pre-tax dollars for work related daycare expenses for eligible children or adults. They designate an amount of money to be withheld from their paycheck and “pay themselves back” when they file a claim. To qualify, dependents must be:

- under the age of 13, or
- a child, spouse, or other dependent who is not capable mentally or physically to care for themselves; that person must spend at least 8 hours a day in the employee’s home.

Unlike Health Care FSAs, employees can only be reimbursed the funds that they have already had withheld from their paychecks.

For example: An employee elects the full \$5000 annual election with 24 pay periods per year. This comes to \$208.33 per pay period being withheld from his/her paycheck. Between January 1 and January 15, the employee incurs \$400 in dependent care expenses and submits this for reimbursement. Since only \$208.33 has been withheld from his/her paycheck, he/she will be reimbursed for this amount. The additional \$191.67 will be reimbursed as funds become available.

The \$5000 limit is established by the IRS and has not been increased for a number of years.

22. Can daycare providers be paid directly from the Dependent Care Flexible Spending Account?

No. Reimbursement can only be made to the employee. Employees are responsible for remitting payment to their dependent care providers.

23. What if employees currently take the dependent care credit on their annual tax return?

Depending on an employee’s personal tax situation it may be more beneficial to participate in the Dependent Care FSA rather than taking the current income tax credit. However, please encourage employees to check with their tax advisor to determine which option is best for them.

Once an employee makes his or her annual elections, they cannot be changed without a qualifying event.

24. What happens if an employee needs to change his or her Dependent Care FSA election mid-year?

IRS regulations do not allow employees to stop, start, or change their contributions at anytime during the plan year UNLESS they experience a qualified change in family status.

Examples include marriage, divorce, birth, adoption, or a change in the employee or the employee's spouse's employment status. Please keep in mind that the election change must be consistent with the event.

Administrative Questions

25. What do I do to get a new employee enrolled in the FSA?

If you have a new employee to enroll in the Flexible Spending Account, determine if he or she is also taking medical coverage.

The employee will need to complete a medical enrollment form and indicate that he/she is also enrolling in the FSA. Note that employees enrolling ONLY in the FSA also need to complete a medical enrollment form and check only the FSA box.

Submit the medical enrollment form to the address indicated.

If you are an employer using Employer eServices, check with your Account Management team as to how to enroll these individuals.

Also have the employee complete an FSA Election Form. We recommend that you have all employees complete this form, regardless of if the employee actually makes an FSA election, and keep the forms on file.

Review the FSA Election Form and check to be sure that the employee's information and math are correct. The per pay period contribution times the number of pay periods left in the plan year should equal the annual election.

Indicate the Date of Hire and Effective Date as well as the group number where indicated to speed processing.

Submit this form to the address indicated. Note that this address is not the same as the one for the medical enrollment form.

Note that the medical enrollment form must be received and processed and the enrollment information fed to the Medica Direct system before the FSA elections can be attached to the employee.

New employees may not immediately show on your reports, but the system is programmed to allow for "catch-up" contributions once the employee's elections are added. For example: A new employee is eligible effective 4/1 and paperwork submitted with a \$25 per pay period healthcare FSA election. Regular bi-weekly contribution reports are sent to the employer on 4/5 and the employee does not appear on the contribution report. The employee will appear on the 4/19 with a \$25 contribution. This amount should be changed by the employer to \$50 indicating the 4/5 and 4/19 payrolls.

26. What do I do if an employee has a qualifying event and needs to change his/her annual election?

Assure that the employee has an actual qualifying event. Have the employee complete a revised FSA Election Form and submit it to the address indicated.

As noted above, the change may not show up immediately, but the change will be processed through the system appropriately based on the effective date of the change.

27. What reports will I receive from Medica Direct?

All reports can be delivered via fax (we recommend that you choose a fax in secure location at the company) or via secure employer web portal with an email notification to retrieve the reports. The formats available in the secure employer web portal are text, pdf and excel.

Note that some of these messages or e-mails may reference CBSA. This is the Medica Direct partner for FSA administration.

Contribution Reports

On a per payroll basis, you will receive a Contribution Report from Medica Direct. This will list each employee and his or her FSA election for the pay period. Review the report and return it as indicated with any changes. Such changes could include terminations or downward or upward adjustments as the result of leaves of absence or returns from leaves.

For example: An employee making a \$50 per payroll contribution to her FSA takes a leave of absence for one pay period. For the pay period when she is on leave, cross out the \$50 contribution and write in \$0. On the following report, cross out the \$50 and write in \$100 (the regular contribution for the pay period and the catch up for the prior pay period).

Do not add new employees to the report. They will be processed and added with the appropriate catch up contributions.

Check Registers

You will receive check registers from Medica Direct on your designated check processing days. These will indicate the checks and direct deposits being initiated from your account.

The checks are printed and direct deposits are initiated at the same time that the check registers are delivered to you.

It is your responsibility to fund the account you have designated so that these checks and direct deposits clear.

Monthly Reports

Each month, you will receive an Employer Fund Detail Report showing all of the checks and direct deposits initiated during the last month with totals by Health Care and Dependent Care accounts included.

You will also receive an Employee Account Balances report showing (by employee):

- Annual election
- Claims Submitted
- Claims Paid
- Credits Available
- Deposits Withheld (payroll deductions)
- Account Balance
- Status

This report separates Health Care and Dependent Care information.

28. How does the banking work?

On your Discovery Document, you indicate the checking account you request FSA checks to be written off of. When you receive a Check Register from Medica Direct, checks are printed and direct deposits initiated from that account simultaneously.

It is your responsibility to fund this account (or to keep a balance in the account) to allow all checks to clear. Otherwise, both the employer and employees may incur fees for “bounced” checks.

The signature on signature file that you provided will also be used on these checks.

29. What if an employee has a change of address?

If an employee has a change of address, submit it as you normally would. This change will flow automatically to the Medica Direct system.

You do not need to notify Medica Direct separately.

30. What if an employee terminates coverage?

If an employee terminates coverage, submit the termination as you normally would. This change will flow automatically to the Medica Direct system.

You do not need to notify Medica Direct separately. The employee may show on contribution reports during this process. Please indicate ‘terminated employee’ and the date of the termination prior to returning the contribution report.

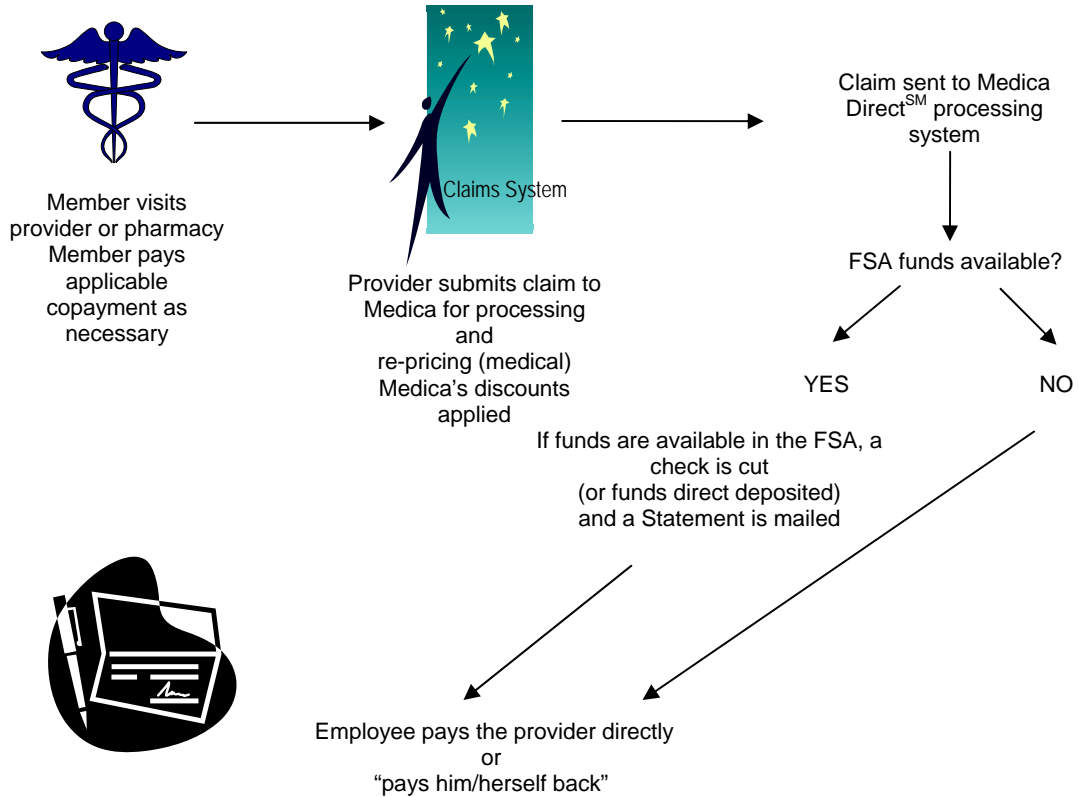
31. Where can I (as the employer) and employees access forms?

You can always request forms from Medica by calling Medica Customer Service or the Service center. They can e-mail or fax the form to you.

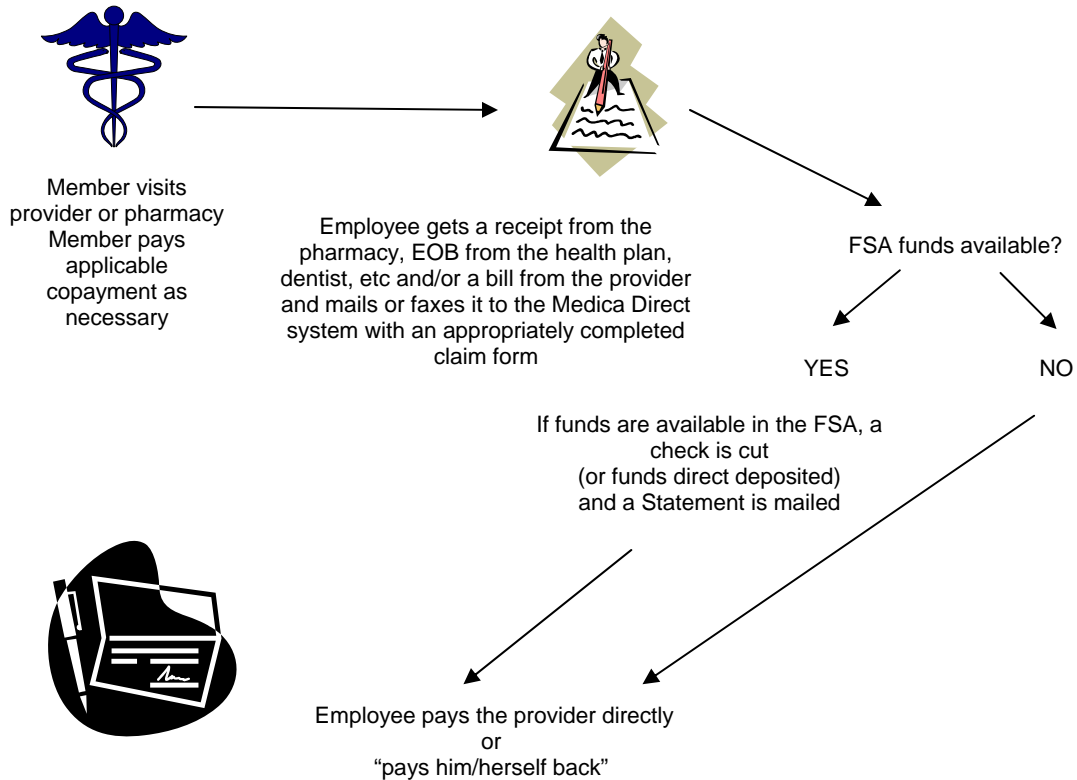
Claim Forms, Direct Deposit Forms, etc are available on the Medica Direct website and we can customize them for you to post on an internal company “intranet” if you choose.

32. Can you describe the claims process for auto-crossover and manual claims submissions?

Following is a graphical depiction of the process for auto crossover claims.



Following is a graphical representation of the process for manually submitted claims. Employees who elect auto-crossover can also choose to submit claims manually. All claims for items that do not run through the medical claims system must be submitted manually.



33. How is COBRA handled?

If an employee terminates coverage he/she can choose to elect COBRA coverage for the medical plan and for the FSA.

Work with your Medica Account Management team for questions related to medical COBRA.

If the employee retains medical coverage and the FSA through COBRA, you do not need to do anything. The employee will remain in the same group number.

If the employee retains medical coverage but drops the FSA, write this on your next contribution report. Also notify Medica of this change so that we can drop the FSA pspm charge for the employee.

If the employee drops medical coverage but retains the FSA, you will need to complete a change form/move the employee from the medical and FSA group number to the FSA only group number. The FSA election will follow the employee.