Q. What is a medical reimbursement account?

A. A medical reimbursement account provides a way to have pre-tax deductions taken from your pay for qualified expenses that are not covered by your medical or dental plan. This type of account method is used in lieu of taking itemized medical deductions on your annual tax filing. The guidelines are the same as for the tax credit method: you can claim medical expenses for any dependent that you claim as a dependent on your tax return. Expenses for any eligible dependent can only be submitted for the calendar year in which the expenses are incurred. Expenses are incurred when the care or service is provided, not when the expenses are billed or paid.

Q. What is a dependent care reimbursement account?

A. A dependent care reimbursement account allows you to have pre-tax deductions taken from your pay for expenses related to child or elder care so that you and/or your spouse may work. This type of account method is used in lieu of the dependent care tax credit that you may be eligible to take on your annual tax return.

Q. How do I open a medical and/or dependent care reimbursement account?

A. Use your personalized open enrollment form. In the reimbursement accounts section, indicate the annual amount that you wish to contribute to each type of account. In the Dependent Information section list all eligible dependents for whom you may submit a claim and place a checkmark in the “FSA” column. We will divide the annual election by the number of your pay periods, and take the deductions in equal amounts each pay period.

Q. How do I claim the money back once it has been deducted from my pay?

A. You will need to keep receipts for qualified services and submit them with a claim form to Combined Services, LLC., the company that the College has hired to administer these plans. Checks will be mailed weekly, and claim forms are available through Human Resources.

Q. What kind of receipts will I need to claim the funds back?

A. For medical reimbursement accounts, a good rule of thumb is to file a claim with your health insurance carrier whenever the service is partially covered by your health plan. For example, if the service provided has a deductible and/or
coinsurance, the insurance company will apply the cost of the service to your deductible or coinsurance, and send you an Explanation of Benefits (EOB). This EOB can be used to claim your funds back from your medical reimbursement account. If your receipt is for a service that is not covered by your health plan, you simply submit the receipt showing your applied payment (examples are prescription eyeglasses, prescription co-payments, office visit co-payments). The IRS does not allow you to use a canceled check (original or copy) as a receipt.

If your receipt is for dependent care, you will submit it with either the provider’s tax identification number, or social security number. Be sure that you can obtain this number from your provider before opening a dependent care reimbursement account because you will not be able to claim your balance without it. If you use the College Children’s Center, you can either use your pay stub (if you pay through payroll deduction), or a receipt from the Center.

Q. Once I open the account for calendar year 2005, can I change the election during the calendar year?

A. The only way that you can change your election is with a recognized status change, called a “qualified event,” and your change must be consistent with the qualified event. A “qualified event” is a major life event such as marriage, divorce, birth of a child, change in employment status, or reduction or increase in hours worked. When you elect a medical and/or dependent care reimbursement account, we will provide you with a complete list of “qualified events” that are contained in the Summary Plan Description, or you can call Human Resources if you think that you have had a status change and need to change your election. It is important to note that you must make the change to your election within 31 days of the qualified event to take advantage of the opportunity.

Q. When can I claim the funds in my account?

A. With the medical reimbursement account, you may claim your funds anytime that you have a receipt for qualified expenses. With the dependent care account, you must have already paid for the service, and the funds must be deducted from your pay before you can be reimbursed, but you can submit receipts for the service anytime. Again, the receipts must be for the calendar year in which the services were incurred, not when you pay them.

Q. What happens to my money if I cannot get enough receipts by the end of the calendar year to claim all the funds back?

A. If you cannot provide qualified receipts to claim the funds, then you will forfeit the money. This is an IRS regulation, often called “the use it or lose it” rule. For this reason, we encourage employees to plan carefully. During open enrollment, itemize what you know you will pay for yourself and/or qualified dependents, and then underestimate the total amount. If you underestimate your annual election, the remaining
balance will be paid in after-tax dollars, which is that you ordinarily do when you do not have a reimbursement account.

Q. How can I estimate what my annual election will be for an entire calendar year?

A. Understanding your health and dental plans, and knowing what out-of-pocket expenses you know you will have in the next calendar year will help you estimate as well as understanding what expenses are allowed as “reimbursable.” An extensive list of allowable expenses is attached. Also, new this year, the list has been expanded to include over-the-counter medications (including aspirin) used for medicinal purposes. Please note that this does not include vitamins. A good method is to list as much as you can, total the expenses, and then underestimate the total.

Q. Why would I want to open a medical reimbursement and risk losing all or part of the balance?

A. When planned carefully, a medical reimbursement account can extend your medical and dental benefits by providing services to you on a pre-tax basis. In this way, all of the expenses that you know you are going to pay out-of-pocket can be paid on a pre-tax basis. While you cannot plan for an emergency, the funds are not earmarked for a particular purpose, so if an emergency arises, you can access these funds. For dependent care accounts, many employees find that they save more by having expenses deducted on a pre-tax method than by using the dependent care tax credit method. You save with pre-tax dollars while it helps you budget throughout the year for planned reimbursable expenses.

Q. What is the maximum annual election that I can make to either a medical or dependent care reimbursement account?

A. The maximum that you may contribute to a dependent care reimbursement account is $5,000. (If you are using this account for one child, this allows you more than the maximum allowed for the dependent care tax credit method.) The maximum that you may contribute to a medical reimbursement account in 2005 is $5,000.