

Cost of Coverage

Your bi-weekly cost for Supplemental Life/AD&D coverage is based on your current annual base salary and your age as of January 1, 2010. Please note there is a combined maximum benefit of \$750,000 for Basic and Supplemental Life/AD&D. Your Supplemental Life/AD&D premium will be adjusted for any change in your salary throughout the year.

To calculate the bi-weekly cost of your coverage, use the following formula:

$$(\text{ANNUAL BASE SALARY}) \div \$1,000 = \underline{\hspace{2cm}} \times \text{RATE} = \text{BI-WEEKLY COST OF COVERAGE}$$

For example, if you are age 25 and earn \$29,700 per year, this amount would be rounded up to \$30,000. This means your cost for one times salary would look like this:

$$\$30,000 \div \$1,000 = 30 \quad 30 \times \$0.034 = \$1.02 \text{ bi-weekly} \quad (\text{For two times supplemental, multiply by 2})$$

YOUR COST FOR SUPPLEMENTAL LIFE/AD&D COVERAGE	
Your Age	Bi-weekly Rate per \$1,000 of Coverage
Under 30	\$.034
30-34	\$.044
35-39	\$.048
40-44	\$.071
45-49	\$.118
50-54	\$.187
55-59	\$.288
60-64	\$.450
65-69	\$.801
70 and over	\$1.42

Please note: Internal Revenue Service (IRS) regulations require JHHCG to include, in your taxable income, the cost of employer-paid group life insurance in excess of \$50,000. The value of this insurance is based on an IRS premium table, and not on the actual cost. The value of any coverage in excess of \$50,000 will automatically be reflected on your paycheck as taxable income.

Flexible Spending Accounts

Health care and dependent care expenses can take quite a bit out of your family's budget. JHHCG offers you a way to pay these expenses on a tax-free basis. Flexible Spending Accounts (FSAs) allow you to set aside tax-free money in two types of accounts that reimburse you for eligible health care and dependent care expenses. These accounts are:

- Health Care Flexible Spending Account
- Dependent Care Flexible Spending Account (for child and adult daycare)

By setting aside money pre-tax, you pay fewer taxes and save money. Then, when you pay for an eligible expense (such as daycare), just submit a claim and you'll receive the money back from your account.

Who Is Eligible to Use These Accounts

If you are regularly scheduled to work at least 30 hours per week, you are eligible to use these accounts. Part-time employees who work 19 hours or less per week are not eligible to enroll in FSAs.

Flexible Spending Accounts: Your Decision Guide

Is it preferable to open both accounts? And how do you decide how much to contribute?

Take a moment to ask yourself the following questions:

- What were the total out-of-pocket health care expenses for you and your family last year? These expenses could include doctor's office visits and prescription co-pays, over-the-counter medications, deductibles, etc.
- Do you expect to spend about the same (or more or less) for health care in the coming year?
- Will you or a dependent have the need for special items, such as eyeglasses, contacts, braces or hearing aids?
- Are you or a dependent considering laser eye surgery during the upcoming year?
- Do you have dependent day care expenses for child(ren) under age 13? Or for adult dependents, such as elderly parents?
- How much do you expect to spend on day care expenses during the year?
- Is the amount of taxes you would save with a Dependent Care FSA greater than the amount of taxes you would save by using the Federal Tax Credit? (Refer to the worksheet on page 15.)

Cost of Participation

You determine how much of your pay you want to contribute on a tax-free basis to use later as reimbursement for your eligible FSA expenses, to the following limits:

- Health Care FSA: Set aside up to \$5,000 per year (minimum of \$5 per bi-weekly pay, maximum of \$192.30 per bi-weekly pay).
- Dependent Care FSA: Set aside up to \$5,000 per year; \$2,500 if you are married and file a separate tax return (minimum of \$10 per bi-weekly pay, maximum of \$192.30 per bi-weekly pay).

How Flexible Spending Accounts Work

When you have an eligible health care expense, you are reimbursed from your Health Care FSA. Or, if you have an eligible dependent day care expense, you are reimbursed from your Dependent Care FSA. The two accounts are separate. You cannot be reimbursed for health care expenses from your dependent day care account or vice versa.

Your FSA contributions are conveniently deducted from your paycheck before federal, state or Social Security taxes are calculated. This means your FSA contributions are tax-free; however, if you live in Pennsylvania, contributions to your Dependent Care FSA are subject to Pennsylvania state tax.

Tax Savings Example

The following example shows how you can save taxes by using FSAs:

Diane, a single parent with two children, earns \$35,000 a year. She estimates that her family will have \$500 in uninsured medical care expenses this year and that day care for her children will cost \$1,200 this year.

The following chart compares Diane's take-home pay after expenses, with and without FSAs:

	WITH FLEXIBLE SPENDING ACCOUNTS	WITHOUT FLEXIBLE SPENDING ACCOUNTS
Diane's Annual Pay	\$35,000	\$35,000
TAX-FREE EXPENSES		
Health Care	- \$500	\$0
Dependent Care	- \$1,200	\$0
Taxable Salary	\$33,300	\$35,000
Federal Taxes*	- \$3,094	- \$3,379
Social Security (7.85%)	- \$2,547	- \$2,678
TAXABLE EXPENSES		
Health Care	\$0	- \$500
Dependent Care	\$0	- \$1,200
Take-Home Pay (after health and dependent care expenses)	\$27,659	\$27,243
Difference in Take-Home Pay (after health and dependent care expenses)	\$27,659 - \$27,243 = \$416	

*Based on Diane filing a Head of Household tax return for federal taxes. Since state taxes differ, this example shows only federal taxes.

In this example, Diane will save \$416 in taxes by contributing to the Health Care and Dependent Care FSAs. Keep in mind, this is just an example. Your tax situation may be different. If you have questions about how FSAs will affect your taxes, please contact a tax advisor.

IRS Rules

Because of the tax advantages FSAs offer, the IRS places restrictions on their use:

- If there is money left in your FSA at the end of the year, you lose the balance. This is called the “use it or lose it” rule. Keep this rule in mind when you determine your contribution amounts. You have until March 31 of the next plan year to file a claim for expenses you incurred during the previous plan year.
- If you did not enroll in a FSA at the beginning of the plan year, but then did enroll sometime during the year due to a qualified family status change, you will only be reimbursed for expenses incurred during the time you contributed to the FSA.

Health Care Flexible Spending Account

A Health Care FSA can only reimburse you for eligible expenses. You decide the amount that will be deducted from your paycheck on a tax-free basis and deposited into your account. The maximum amount you can contribute is \$5,000 per year (or \$192.30 per bi-weekly pay). The minimum amount you can contribute is \$130 per year (or \$5 per bi-weekly pay).

ELIGIBLE EXPENSES	EXPENSES THAT ARE NOT COVERED
Some examples of eligible health care expenses include but are not limited to:	Some examples of expenses that would not be eligible under the Health Care FSA include, but are not limited to:
Acupuncture;	Cosmetic surgery;
Chiropractors;	Cosmetics and toiletries;
Contact lenses and contact lens supplies;	Dietary supplements;
Deductibles and co-pays;	Health club dues;
Eyeglasses and eye examinations;	Marriage counseling;
Family counseling;	Non-medical expenses, such as electronic air filters and hot tubs, unless prescribed by a doctor; and
Hearing aids;	Payments for domestic help, a companion, or a babysitter, who primarily renders services of a non-medical nature (may be eligible under Dependent Care FSA).
Immunizations;	
Nursing services;	
Over-the-counter medications;	
Psychiatric care;	
Psychologist;	
Special items, such as guide dogs for the blind;	
Surgery, including laser eye surgery;	
Transportation for medical service or treatment;	
Vitamins (prescribed);	
Weight reduction programs;	
Wheelchairs; and	
Any other unreimbursed, out-of-pocket medical, dental and vision expenses allowed as deductions by the IRS on your federal tax return (except insurance premiums). These expenses are listed in IRS publication 502.	

For a more comprehensive list of eligible expenses, please refer to the IRS Web site at http://www.irs.gov/forms_pubs/. Please note: Expenses for which you have been reimbursed from your Health Care FSA cannot be claimed as itemized deductions on your federal income tax return.

Health Care Flexible Spending Account Worksheet

To get the most from your Health Care FSA, think carefully about your health care expenses. You should review the health care expenses you had last year. Then, take a look at any planned health care expenses for this year that are not covered by your health care plan.

REMEMBER:

Be careful in your planning—if you do not use it, you will lose it!

WORKSHEET: HEALTH CARE EXPENSES

The following worksheet will help you decide how much money to contribute to your account.

Type of Expense	Expected Expenses for This Plan Year
Medical care co-pays	\$
Medical expenses over the amount paid by your medical benefits	\$
Dental care co-pays	\$
Dental expenses not covered by your dental benefits	\$
Other eligible health care expenses	\$
Total	\$
Divide your total by the number of pay periods in the year	\$

The amount in the shaded box is the amount you may decide to contribute to your FSA account each pay period.

Health Care Flexible Spending Account Versus Tax Deduction

If you currently deduct uninsured health care expenses on your income tax return, you may be wondering how this will affect a Health Care FSA. You cannot be reimbursed from a Health Care FSA for the same expenses that you deduct on your tax return.

To qualify for a deduction, your uninsured expenses must be more than 7.5 percent of your adjusted gross income. Even then, the IRS only allows you to deduct the amount over 7.5 percent. So, your taxes are usually less with a FSA than with a tax deduction.

Dependent Care Flexible Spending Account

The cost of day care for young children has become a major expense for many families. For some families, it's not just children who need dependent care. Often, elderly parents need care while you are at work. If you're paying for care for your child or elderly parent, you probably know what those costs will be each year. To help offset some of these costs, you can take advantage of the tax-savings feature of a Dependent Care FSA.

Purpose of Dependent Care Flexible Spending Account

The purpose of the Dependent Care FSA is to help pay the cost of daycare for your dependents while you are at work. You cannot be reimbursed from this FSA to pay for health care for your dependents. However, you may use the Health Care FSA for reimbursement for dependent health care. The Dependent Care FSA is for dependent day care expenses only.

For a more comprehensive list of eligible expenses, please refer to IRS Publication 503, available on the IRS Web site at http://www.irs.gov/forms_pubs/

Maximums and Minimums

If you are single or married filing a joint income tax return, the maximum amount you can contribute to the Dependent Care FSA is \$5,000 per year. If you are married, but filing a separate income tax return, the maximum amount you can contribute is \$2,500 per year. The minimum amount you can contribute to your account is \$260 per year.

Please note: If you contribute to the Dependent Care FSA *and* you use the back-up sick child/elder care program and/or the child day care center, you may have to pay income taxes on benefits you receive from the combination of the FSA, the back-up care program and the center, to the extent those combined benefits exceed \$5,000 per year.

In addition, the amount of your FSA contribution cannot be more than your spouse's earned income. However, there are special rules that apply to spouses who are full-time students, looking for work or are disabled. If your spouse falls into any of these categories, call your tax advisor for assistance.

Eligible Dependent Care Expenses

The types of expenses that are eligible for reimbursement from a Dependent Care FSA include:

- Day care centers for child(ren) or the elderly
- Day camp
- Nursery school (not kindergarten)
- In-home day care
- Other eligible expenses that are listed in IRS Publication 503

Please note: School tuition for child(ren) in kindergarten and up and overnight camp fees are not eligible for reimbursement. However, before- and after-school day care expenses are eligible for reimbursement.

Who May Use the Dependent Care Flexible Spending Account

You are eligible to use this account if you have:

- Child(ren) under 13 years of age for whom you claim a tax exemption; or
- Child(ren), spouse or other dependents of any age who cannot care for themselves due to a mental or physical disability.

You may use this account if you are:

- A single parent; or
- Married to a spouse who cannot provide care because he or she is:
 - working,
 - looking for work,
 - attending school full-time, or
 - physically or mentally disabled.

Please note: IRS regulations do not allow you to cease deductions because your child care needs change, except due to a family status change. If your day care provider or child care center goes out of business, this is not considered a valid change under IRS. Keep this in mind when planning for your contributions.

Eligible Dependent Care Providers

You may be reimbursed for dependent day care services provided by a person or organization that is not:

- Your own child under age 19, or
- Someone you or your spouse is claiming as a tax exemption.

When you submit a dependent care claim form for reimbursement, you must include the tax identification number or the Social Security number of the organization or person providing the care.

Limits on FSAs

Under IRS regulations, a dependent adult must regularly spend at least eight hours a day in your home before dependent adult care expenses can qualify for this FSA. This means you cannot use this FSA to cover costs of a dependent adult who is confined in a nursing home or who lives away from you.

In addition, you cannot use this FSA to pay someone to watch your child(ren) while you are at home. Under IRS regulations, you must be at work, looking for work or at school while your dependents receive care.

If you contribute to a Dependent Care FSA and submit a claim for more than what is currently in your account, you will be reimbursed up to your current account balance. You will receive money for the remaining eligible unreimbursed expenses as your account grows through your contributions.

Dependent Care Tax Credit

The current tax law allows you to take a tax credit for some of your dependent care expenses. However, the law does not allow you to use both a tax credit and a Dependent Care FSA for the same dependent care expenses. You can claim a tax credit on eligible expenses up to \$2,400 per year for one dependent, or \$4,800 per year for two or more dependents.

If you use a combination of the tax credit and the FSA, the tax credit will be reduced, dollar for dollar, by the amount you are reimbursed by a Dependent Care FSA.

Generally, if your family's annual income is \$25,000 or more, the FSA will save you more in taxes. If your family's income is less than \$25,000, it is probably better to take the tax credit. If you have questions about whether a Dependent Care FSA or tax credit would be better for you, please contact your tax advisor.

Dependent Life Insurance Plan

Employees who are regularly scheduled to work 20 or more hours per week and weekend option nurses are eligible to buy Dependent Life Insurance for their legal spouse or same-sex domestic partner and dependent child(ren) including child(ren) of a same-sex domestic partnership. New employees are eligible for this coverage on the first of the month following date of hire, with a completed enrollment form. When you buy this coverage, you receive coverage for your spouse equal to \$10,000. For each dependent child up to age 25 who relies on the employee for financial support, coverage is equal to \$5,000. Your share of the cost is \$0.56 bi-weekly for your spouse and \$0.46 for your dependent child(ren) regardless of how many children you have, which is deducted from your paycheck on an after-tax basis. If you decide to elect family coverage, the cost will be \$1.02 bi-weekly.

If your spouse also works for JHHCG, your spouse cannot be covered for optional life insurance as both an employee and dependent. In addition, your eligible dependents may only be covered by one parent's plan.

Proof of Good Health Required

Current employees may buy dependent coverage with proof of your dependent's good health. If you are a current employee, you will need to provide proof of good health if you are selecting this coverage for the first time or adding a dependent (other than when enrolling a spouse or child within 31 days of marriage or birth). An Evidence of Insurability form is required (please refer to enrollment instructions regarding this). The insurance company must approve your coverage before your new benefit amount can become effective. Payroll deductions will not begin until coverage is approved.

Short-Term and Long-Term Disability Benefit Plans

Short-Term Disability

Employees (except weekend option nurses) who are regularly scheduled to work 20 or more hours per week automatically receive Short-Term Disability benefits. If approved, Short-Term Disability benefits replace 60 percent of your bi-weekly base pay for up to 11 weeks of disability, after a 14-day elimination period, as long as you are under a doctor's care. If you become disabled and have accumulated Sick time, or Vacation hours or Personal days that you have not used, this time will be used to supplement your Short-Term Disability payments. Short-Term Disability benefits are separate from any FMLA benefits you may be receiving.