

## Overview of Flexible Spending Accounts for School of Medicine House Staff

House officers can save money on eligible health care and dependent care expenses when they use the JHU flexible spending accounts. House officers can contribute up to \$5,000 a year on a pre-tax basis to pay for eligible health care expenses and up to \$5,000 a year (\$2,500 if married and you and your spouse file separate tax returns) on a pre-tax basis to pay for eligible dependent care expenses. Remember to plan carefully—if you do, you'll be able to maximize your tax savings without forfeiting any unused funds that remain in your account.

Flexible spending accounts (FSAs) offer a way to help save money on your eligible out-of-pocket health care and dependent care expenses. How? By letting you pay for these eligible expenses with tax-free dollars.

Here's a quick summary of how the flexible spending accounts work:

- You choose how much you want to contribute to each account for the calendar year
- Your contributions are taken out of your pay on a pre-tax basis (for federal and Maryland tax purposes)
- During the year, you may draw money from your flexible spending account using a WageWorks reimbursement card (health care expenses only), the Pay My Provider service, online bill pay or traditional claims reimbursement to pay eligible expenses with your tax-free dollars. With savings of up to 35% or even more (depending on your tax bracket), when you use the spending account to be reimbursed for eligible expenses, it's like buying these items and services "on sale."

JHU offers two flexible spending accounts:

- Health Care Flexible Spending Account
- Dependent Care Flexible Spending Account

Estimate expenses carefully—federal law requires that you forfeit money you set aside but don't use; money cannot be transferred between accounts. The deadline for filing claims for expenses incurred during the calendar year is April 30 of the following year. If you are an active participant on December 31, you may be reimbursed under that year's account for eligible claims incurred through December 31.

### How the FSAs Work

1. Enroll - When you first become eligible, or during the open enrollment period, you decide whether to participate and, if so, how much money you want to contribute for the coming year. You may participate in one account or both accounts and you may elect not to participate in either. Carefully estimate expenses for the year before you decide how much to contribute. Throughout the year, JHU deducts contributions from your pay in equal amounts each pay period before Social Security, federal and Maryland income taxes are deducted.

2. Pay Your Expenses—When you pay an eligible expense, save your receipt, regardless of whether you are using a WageWorks reimbursement card (issued to you when you enroll in a Health Care Flexible Account), the Pay My Provider service, online bill payment or traditional claims reimbursement.

3. File Claims—File a claim to be reimbursed for your out-of-pocket expenses not paid using your WageWorks reimbursement card or Pay My Provider service. Expenses paid with the WageWorks reimbursement card and using Pay My Provider are paid directly from your flexible spending account.

4. Receive Tax-Free Reimbursement—For claims reimbursements paid to you, once your claim is approved, you may have a check mailed to you or you may elect direct deposit of your spending account reimbursements into your checking or savings account. These reimbursements are tax-free to you.

### Election Applies for Calendar Year

When you elect to participate in the Health Care and/or Dependent Care FSA, your election applies to the calendar year. If you make your election during annual enrollment in the fall, your election is effective for the upcoming calendar year. If you are a new hire or making a change to your election because of a life event, your election is effective for the current calendar year only. Changes during the year may be allowed only if you experience certain qualifying events provided application is made within 30 days of the qualifying event. Qualified life events in your family or enrollment status can include:

- Marriage
- Birth or adoption of a child
- Start or loss of your spouse/same-sex domestic partner's employment
- Change in employment status (for you or your spouse/same-sex domestic partner) from part-time to full-time or from full-time to part-time)
- Divorce or termination of same-sex domestic partnership
- Death of your spouse/same-sex domestic partner or other dependent

Please note that you may not make a mid-year election under the Health Care Flexible Spending Account in response to a change in cost or coverage.

### **Estimate Carefully**

You will want to carefully estimate the expenses you expect to claim through each flexible spending account for the calendar year; you will forfeit any money you contribute to a flexible spending account but don't use for eligible expenses. You must enroll for the flexible spending accounts during annual enrollment, even if you participated in the prior year. That is, you must make new elections to your flexible spending accounts each annual enrollment, even if you want the same elections you made the prior year.

**Additional IRS rules** require you to:

- Keep the money you contribute to each account separate. You cannot transfer money between the Health Care and Dependent Care Flexible Spending Accounts or use amounts contributed to one account to pay for expenses reimbursable through the other account.
- Make one election for the year. Once you enroll, your decisions generally remain fixed until the next calendar year. However, you may make changes within 30 days of certain qualifying events.
- Choose to continue or stop Health Care FSA contributions while on Family and Medical Leave. If you take Family and Medical Leave, you may stop your Health Care FSA contributions upon your leave (or you may continue to make contributions on an after-tax basis, if necessary). If you return from unpaid leave and did not make Health Care FSA contributions during your leave, you must re-enroll to participate in the Health Care FSA; return from unpaid leave is a Qualified Life Event. (Participation in the Dependent Care FSA stops while you are on Family and Medical Leave but you may elect to re-enroll upon your return to work.)
- Provide information with your claims. Review how to file for reimbursement for the Health Care Flexible Spending Account and Dependent Care Flexible Spending Account.

*Note: Employees who are called to perform active military service for more than 179 days will be able to get their unused Health Care FSA balances as a taxable cash distribution before the plan year ends. Contact the benefits desk in the School of Medicine Registrar's Office for more information.*

### **Health Care Flexible Spending Account**

#### **How Much You Can Contribute**

You may contribute up to \$5,000 each year to a Health Care Flexible Spending Account. The amount you elect will be deducted in equal contributions from your paycheck during the year.

### Eligible Health Care Expenses

Generally, any health care expense considered by the IRS as an expense for “medical care” is eligible for reimbursement from your Health Care Flexible Spending Account, provided the expense is not reimbursed from any other source. This includes health care expenses for anyone you claim as a dependent on your tax return, regardless of whether that dependent is covered under the Student Health Program.

*Note: Same-sex domestic partners and children of same-sex domestic partners are covered under both medical and dental plans. But, under federal tax law, neither the Dependent Care Flexible Spending Account nor the Health Care Flexible Spending Account may be used for expenses of same-sex domestic partners or the children of same-sex domestic partners unless they qualify as your eligible dependent under the specific federal tax law definitions that apply to Dependent Care and Health Care Flexible Spending Accounts.*

In addition to deductibles and copayments, following is a partial list of medical expenses that are generally eligible for reimbursement from your Health Care Flexible Spending Account (according to current IRS guidelines, which are subject to change).

#### Examples of expenses eligible for health care flexible spending accounts:

Acupuncture	Correction Eye Surgery	Physicians’ fees
Alcoholism treatment	Fees for a practical nurse	Psychiatric care
Artificial teeth	Handicapped persons’ special schools	Psychologists’ fees
Birth control pills	Hearing devices and batteries	Smoking cessation programs <i>(when under doctor supervision and with prescribed medication)</i>
Braces	Home improvements for medical considerations	Special plumbing for the handicapped
Chiropractors	Hospital bills	Sterilization fees
Coinsurance amounts you pay	Hypnosis for treatment of an illness	Surgical fees
Contact lenses and solution	Insulin	Therapeutic care for drug and alcohol addiction
Cost of operations and related treatments	Laboratory fees	Therapy treatments
Crutches	Learning disability	Transplants
Deductible amounts you pay	Life fee to retirement home for medical care	Transportation expenses primarily for rendering medical service
Dental fees	Medical charges if they are a part of college or private school tuition fees	Weight loss programs
Dentures	Nursing home	Wheelchairs
Diagnostic fees	Orthopedic shoes	X-rays
Prescribed drugs and medicines	Over-the-counter medications <i>only if prescribed</i>	
Eye surgery, including Laser	Oxygen	

Effective January 1, 2011, by federal law, only those medicines and drugs obtained by prescription will be reimbursable from a Health Care FSA. The only exception is insulin, which is reimbursed without a prescription.

For more information about eligible and ineligible expenses, refer to IRS Publication 502 Medical and Dental Expenses, or contact your tax adviser. You also may call the IRS at 1-800-829-1040 or visit their Web site at [www.irs.gov/pub/irs-pdf/p502.pdf](http://www.irs.gov/pub/irs-pdf/p502.pdf). (Of course, no expenses can be reimbursed that are not eligible for reimbursement under IRS rules at the time of reimbursement.)

## Filing for Reimbursement

### WageWorks Reimbursement Card

If you elect to participate in a health care flexible spending account, you are automatically issued a WageWorks reimbursement card to use when paying for eligible expenses. The WageWorks reimbursement card will be accepted the same as a debit card at doctors' offices, medical facilities, hospitals and qualified merchants or merchants certified by the Inventory Information Approval System (IIAS). The WageWorks reimbursement card allows you to pay for eligible health care products directly from your flexible spending account. If the merchant is not qualified (by selling greater than 90% flexible spending account eligible items) or IIAS-certified, the reimbursement card cannot be used at that location. You will need to pay for the expenses and submit a Pay Me Back Claim Form for reimbursement. When you activate your reimbursement card online with WageWorks, update your email address in the contact information box since all WageWorks communication to participants is by email. If you would prefer to receive paper statements, you can elect to do so at any time by logging in, selecting the FSA, and then choosing View Account Statement.

Guidelines you should follow to minimize problems with using your reimbursement card:

- *Keep your receipts.* The IRS has rules about how your reimbursement card can be used; the plan administrator, WageWorks, may ask you to provide copies of your receipts to "substantiate" your purchase. In all cases, be prepared to submit a photocopy of your receipts.
- *Buy from qualified or IIAS-certified merchants.* When using your WageWorks reimbursement card at IIAS-certified merchants, you will not be required to submit receipts to WageWorks. If you purchase items from merchants that are NOT IIAS-certified, you will be required to provide additional documentation, including a description of the expense, date, amount, and a receipt. A list of the certified merchants can be found at [www.sig-is.org](http://www.sig-is.org) (click on SIGIS Merchant List under Publications).
- *Use the card only for qualified medical expenses.* Use the card whenever you make eligible purchases at an IIAS-certified merchant. The store's system checking inventory control compares the stock-keeping units (SKU) number for your entire purchase against the SKUs from a list of items that qualify as medical expenses. If you purchase items that qualify as medical expenses at the same time you purchase items that do not qualify as medical expenses, you will be asked for additional payment to purchase the remaining non-medical items.

### Examples of expenses not eligible for health care flexible spending accounts:

Childbirth preparation classes for "coach"	Drugs or medicines obtained without a prescription	Liposuction
Cosmetic dentistry	Electrolysis	Non-prescription stop smoking aids (patches, gum)
Cosmetic surgery	Facelifts	Weight loss foods
Dancing/swimming lessons	Hair transplants	
Donor expenses for transplants (IVF and organ)	Health club dues	
	Insurance premiums	

### Online Bill Pay

If you have a health care provider that you visit on a regular basis (e.g., an orthodontist or a chiropractor), you can use the online bill pay option to make payments to the provider as needed or on a regularly scheduled basis.

## **Traditional Claims Reimbursement**

For traditional claims reimbursement, complete a *Health Care Pay Me Back Form* available at <https://www.wageworks.com/forms/hcpaymeback.pdf>. Attach supporting proof of your expenses. This proof could be an itemized bill from your health care provider showing:

- The patient's name and birth date
- The patient's relationship to you
- The name of the provider
- The date services were provided
- The type of service provided

You can also submit claims via the online Pay Me Back function by logging into your account with WageWorks at [www.wageworks.com](http://www.wageworks.com). You may change your method of reimbursement at any time during the year, regardless of your initial choice, by updating your online profile with WageWorks at [www.wageworks.com](http://www.wageworks.com). If you do not have online access, you can call WageWorks at 1-877-924-3967 to update your method of reimbursement for you.

## **Claims Deadline**

You have until April 30 of the next year to file claims for reimbursement of expenses incurred through December 31 of the prior year. Your claim must be received by WageWorks no later than April 30. After April 30, you forfeit any money that remains in your account. If you retire or terminate employment (or your contributions otherwise end), or if you drop coverage during the year as the result of a qualifying event, you can continue to file claims for reimbursement of eligible expenses incurred prior to your retirement or termination of coverage date, up to the full amount of your Health Care Flexible Spending Account election for the current year (less reimbursements already paid to you). However, you will not be reimbursed for claims incurred after your retirement or termination of coverage date. In addition, you may be eligible to continue coverage Health Care Flexible Spending Account coverage (but not Dependent Care Flexible Spending Account coverage) through the end of the calendar year in which you retire or terminate employment on an after-tax basis under COBRA.

## **COBRA Rights**

Your Health Care Flexible Spending Account is covered by COBRA. Under COBRA, if the balance of your Health Care Flexible Spending Account on the date you experience a COBRA Qualifying Event is more than the amount you would be required to contribute to the account for the remainder of the calendar year of your Qualifying Event, you may elect to continue to make contributions to your Health Care Flexible Spending Account for the remainder of the calendar year of your Qualifying Event (or such earlier date that your COBRA coverage terminates). However, your contributions must be made on an after-tax basis. If you continue to contribute in this manner, your full elected amount (less reimbursements already paid to you at the time of any reimbursement) will be available to you for reimbursement for the remainder of the year, unless you stop making contributions. When you return to work in an eligible status, because your eligibility status change is considered a life event, you will be able to enroll in a Health Care Flexible Spending Account within 30 days of your return.

## **Effect on Taxes**

As discussed above, you receive a tax advantage by paying for eligible health care expenses through your Health Care Flexible Spending Account. However, you cannot claim a deduction for an expense on your tax return if you've been reimbursed for the same expense through the Health Care Flexible Spending Account. Please consult your tax adviser for details.

***Non-Resident Alien or Dual Status Tax Returns:*** If you file a non-resident alien or dual status tax return, you are not eligible for the Health Care or Dependent Care Flexible Spending Account. If you have questions about whether your tax status precludes participation in a spending account, contact the IRS or your tax adviser.

## **DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT**

### **How Much You Can Contribute**

You generally can contribute up to \$5,000 each year to a Dependent Care Flexible Spending Account (unless you are married and file separate returns, in which case the limit is \$2,500). The amount you elect will be deducted in equal contributions from your paycheck during the year. The dollar limit is subject to meeting certain tests required by the IRS to ensure equitable plan participation. As a result, contribution amounts may need to be reduced for certain “highly compensated” employees as defined by the IRS. JHU will notify you if you are affected by this lower limit.

The Dependent Care Flexible Spending Account can be used to pay eligible expenses to care for your children under age 13, or a disabled dependent of any age, so that you and your spouse can work, your spouse full-time student for at least five months during the calendar year, or be disabled, or your spouse looks for work. If either you or your spouse earns less than \$5,000, the combined amount you and your spouse contribute may not exceed the lower salary. Examples of eligible expenses include: nursery school or day care for children, after-school programs for children under age 13, day care for a disabled spouse or parent expenses to care for a qualified dependent.

*If you are married and you file a joint income tax return*, you and your spouse together may contribute up to \$5,000 to dependent care spending accounts (subject to the income requirement noted above). For example, this means that if your spouse contributes \$2,000 to his or her employer’s dependent care flexible spending account, you can contribute up to \$3,000 to yours.

*If you are married and you file separate tax returns*, you and your spouse each may contribute up to \$2,500 to your respective dependent care spending accounts (subject to the income requirement noted above).

*If your spouse is a full-time student or is disabled*, the IRS considers your spouse’s earned income to be \$250 a month if you have one qualified dependent and \$500 a month if you have two or more qualified dependents. You will need to take these amounts into consideration to determine the maximum contribution you can make to your account under the income requirement noted above. Remember to count only the months that your spouse is either in school (must be at least five months during the calendar year) or disabled in calculating your spouse’s earned income and in determining when you have an eligible expense.

### ***If You Receive Employer-Provided Day Care***

If you receive employer-provided day care through your spouse’s employer, the maximum you can receive from your Dependent Care Flexible Spending Account is reduced by the value of any employer-provided day care you use.

### **Who Is an Eligible Dependent?**

The Dependent Care Flexible Spending Account can be used only to reimburse expenses for the care of eligible dependents. Under IRS regulations, eligible dependents are:

- Your child (including a stepchild), brother, sister, stepbrother or stepsister (or a descendent of any of those, such as your grandchild or your niece or nephew) who is under the age of 13, who has the same principal residence as you for at least half of the tax year and who does not provide at least half of his or her own support for the current calendar year
- Your spouse (for purposes of federal law) who is physically or mentally incapable of taking care of himself or herself and who has the same principal residence as you for at least half of the tax year
- Your dependent who is physically or mentally incapable of taking care of himself or herself and who has the same principal residence as you for at least half of the tax year. For this purpose, “dependent” includes anyone who is your dependent for federal

income tax purposes. In addition, for this purpose only, “dependent” also includes anyone who would qualify as your dependent for federal income tax purposes except that he or she (a) files a joint income tax return with another person for the current year or (b) has income in excess of the IRS personal exemption amount (this amount is \$3,400 for 2007 and is subject to adjustment for inflation each year).

*Note: Same-sex domestic partners and children of same-sex domestic partners are covered under both medical and dental plans. But, under federal tax law, neither the Dependent Care Flexible Spending Account nor the Health Care Flexible Spending Account may be used for expenses of same-sex domestic partners or the children of same-sex domestic partners unless they qualify as your eligible dependent under the specific federal tax law definitions that apply to Dependent Care and Health Care Flexible Spending Accounts.*

### **Eligible Dependent Care Expenses**

If you and your spouse both work or if your spouse is a student meeting the requirements discussed above or is disabled, you may be reimbursed from your Dependent Care Flexible Spending Account for the following expenses:

- Services provided by babysitters or caregivers in or outside your home, including your relatives (as long as you do not claim them as exemptions on your federal tax return)
- Services provided by a licensed child care center, nursery school, or elder care center
- Expenses for a housekeeper whose services include care of an eligible dependent
- Social Security and other taxes you pay a caregiver

For more information about eligible dependent care expenses, refer to IRS Publication 503 Child and Dependent Care Expenses or contact your tax adviser. You also can call the IRS at 1-800-829-1040 or visit their web site at [www.irs.gov/pub/irs-pdf/p503.pdf](http://www.irs.gov/pub/irs-pdf/p503.pdf). (Of course, no expenses can be reimbursed that are not eligible for reimbursement under IRS rules at the time of reimbursement.)

If services are provided by a Dependent Care Center, the Center must comply with applicable laws and regulations of a State or local government. A “Dependent Care Center” is any facility that provides care for more than six individuals who do not reside at the center and receives a fee, payment or grant for providing services for any of the individuals.

### **Dependent Care Expenses Not Eligible for Reimbursement**

Here’s a partial list of dependent care expenses that, under current IRS rules, are not eligible for reimbursement from your Dependent Care Flexible Spending Account:

- Child support payments
- Extracurricular activities
- Food, clothing, and entertainment
- Administrative fees and books
- Overnight camps

Also, no reimbursements will be made for otherwise eligible expenses for services rendered by any person for whom you or your spouse is entitled to a deduction on your federal income tax return for the applicable tax year or who is your child (including a stepchild or a foster child) who will be under the age of 19 at the end of your tax year.

### *Mid-Year Changes to Your Dependent Care Flexible Spending Account*

You may be allowed to change your election during the year in the event of a significant increase or decrease in the cost of your dependent care. However, this special election is not allowed if the dependent care provider is related to you.

### **Filing for Reimbursement**

The Dependent Care Flexible Spending Account is administered by WageWorks. After you enroll, you may access your account online or by phone. Your account statement details your last month’s account activity and may also include items that require your

immediate attention. Your account has a Pay My Provider feature (similar to online bill pay), which allows you to schedule monthly payments to your dependent care provider without ever writing a check.

Here's how to file a claim for reimbursement from your Dependent Care Flexible Spending Account:

1. Pay your care provider and if possible, obtain a receipt.
2. Complete a *Dependent Care Pay Me Back Form* available at <https://www.wageworks.com/forms/dcpaymeback.pdf>. Be sure to enter the name, address, and Social Security or taxpayer identification number of the person or organization that provided the services. You will also need to indicate on the form that you have not and will not claim the expenses on your federal income tax return. There is also a Pay Me Back online option available when you log into your account at [www.wageworks.com](http://www.wageworks.com).
3. Attach a dated receipt to the form, and send both to the address shown on the form. Your receipt can be a bill, an invoice, or a receipt only. Cancelled checks are not sufficient to file a claim for reimbursement.
4. If no receipt is available, have your provider sign your *Dependent Care Pay Me Back Form* to authenticate your claim.
5. Don't forget to sign the reimbursement form. Claims will be denied if you do not sign the form.

You can have your spending account reimbursement checks mailed to you or you can elect direct deposit of your spending account reimbursements into your checking or savings account. To use the direct deposit feature you will need to complete and sign an application form which is available online at [www.wageworks.com](http://www.wageworks.com) after you create an online account.

With the Dependent Care Flexible Spending Account, you can be reimbursed only up to the amount in your account at the time you file a claim. If your claim exceeds the balance in your account, the outstanding amount of your claim will be carried over and paid automatically as new contributions are added to your account. However, if you terminate participation during the year, you will not be reimbursed for claims incurred after your termination of participation.

### **Claims Deadline**

You have until April 30 of the next year to file claims for reimbursement of eligible expenses incurred through December 31 of the prior year. Your claim must be received by WageWorks no later than April 30. After April 30, you forfeit any money that remains in your account.

Note: The total amount of your pre-tax contributions made during the year are reported to the IRS regardless of how much you are reimbursed through year-end or when reimbursements are made.

### *Dependent Care Flexible Spending Account vs. Child Care Tax Credit*

As described above, you receive a tax advantage for eligible dependent care expenses through your Dependent Care Flexible Spending Account. Some taxpayers also may claim a federal child care tax credit on their tax returns. However, you cannot claim a tax credit for an expense if you've been reimbursed for the same expense through the Dependent Care Flexible Spending Account. Although you cannot use the Dependent Care Flexible Spending Account and the tax credit for the same expenses, you may apply any eligible expenses not claimed under one method to the other. Please consult your tax adviser for specific details based on your personal situation.

### *Leave of Absence*

If you are on an unpaid leave of absence, including an approved Family and Medical Leave, participation in a Dependent Care Flexible Spending Account is ended. Claims may be submitted for charges incurred prior to the coverage end date and will only be

paid from the contributions currently in the account. When you return to work in an eligible status, because your eligibility status change is considered a life event, you will be able to enroll in a Dependent Care Flexible Spending Account.

### **Additional Information About Your Flexible Spending Accounts**

#### *Effect on Other Benefits*

Even though you reduce your taxable income by using the flexible spending accounts, you are not reducing your pay for determining any JHU pay-related benefits, such as retirement plan contributions.

#### *Social Security*

The flexible spending account contributions you make will reduce the amount of Social Security taxes you pay. If your taxable pay is below the Social Security taxable wage base, your future Social Security retirement benefits may also be reduced.

#### *When Coverage Ends*

When your House Staff appointment with Johns Hopkins University School of Medicine ends or your status changes House Staff to Postdoctoral Fellow, contributions to your Dependent Care Flexible Spending Account stop. Your contributions to a Health Care Flexible Spending Account also must stop unless you are eligible to and make a COBRA election to continue making after-tax contributions for the remainder of the year in which your employment terminates. In addition, your contributions to the relevant spending account will cease on the earliest to occur of the following:

- The date you no longer satisfy the eligibility requirements for that spending account
- The date you no longer have an effective election to make contributions to that spending account in place
- The date JHU terminates that spending account

### **Situations Affecting Flexible Spending Account Contributions**

#### *If You Are on a Leave of Absence*

If you are on a leave of absence without pay that is 30 days or less, your Health Care Flexible Spending Account will be reinstated so you do not incur a break in coverage. If you are on a leave of absence without pay that is greater than 30 days, your Health Care Flexible Spending Account will not be reinstated; you must contact the benefits desk in the School of Medicine Registrar's Office if you wish to re-enroll.