HRC TOTAL SOLUTIONS

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City of Somerville

Flexible Spending Account (FSA)

Dependent Care Account (DCA)

Plan Year: 1/1/27-12/31/27

What is a Healthcare Flexible Spending Account (FSA)?

- A **Flexible Spending Account** is a special account you put money into that you can use to pay for qualified out-of-pocket medical, dental, vision, prescription expenses and over the counter items.
- You do not pay taxes on this money.
- This means you'll save an amount equal to the taxes you would have paid on the money you set aside.



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How does a FSA work?

- You elect an annual contribution, and then your Employer deducts the funds from your paycheck each pay period in equal increments throughout the year until you reach the amount you have specified.
- The amount of your pay that goes into a FSA will not count as taxable income, so you will have immediate tax savings.
- FSA funds can be used during the plan year to pay for qualified expenses and services.
- The full Healthcare FSA election you make is available for use on your plan effective date (Like a loan from your Employer you pay back via pre-tax payroll deductions).
- HRC provides a VISA debit card preloaded with your full election amount.



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How much can I elect?

- You may elect up to your employer's designated maximum, not to exceed the IRS maximum.
  - ✓ We will provide you with an expense worksheet to help calculate how much you should put away pre-tax per year.
  - ✓ You then take the total amount you wish to elect for the year and divide it by the number of payrolls your company has in a year. This determines your payroll deduction.
  - ✓ This money comes out before you pay Federal Tax, FICA Tax, and State Tax.
- Maximum Election $3,500
- Minimum Election $0
- Use It or Lose It - At the end of the plan year, the employee has a 90-day run-out to submit claims for any expenses they incurred during the plan year. If after that there are any funds that were not spent by the employee, they are forfeited.
- 2 ½ Month Extension – Allows you 75 days from the end of the plan year to incur new eligible expenses and spend the money that was left from the previous year. All expenses must be submitted by the 90th day of the run-out.



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What kind of purchases can I make with my FSA funds?

- Medical Deductibles
- Coinsurance
- Co-pays
- Lab work
- Chiropractor
- Acupuncture
- X-rays
- Dental care
- Prescriptions
- Orthodontia
- Sealants
- Root canals
- Crowns
- Vision care
- Eyeglasses
- Lasik surgery
- Contact lenses
- First Aid Supplies
- Orthopedic inserts
- Sunscreen (SPF 15+)
- OTC medications-these no longer require a prescription!*
- Menstrual Care Products*



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*Both of these changes are effective 1.1.20

FSA store®

- How much can you save with tax-free health?
- Find out how you can benefit from an FSA.
- Check out the list to find out eligible products and services: **https://www.hrcts.com/fsaeligibilitylist**















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How does this save me money?

- The average family of **four** in the U.S. can expect to pay around $3,500[1] on expenses like office visits, prescriptions, copayments, dental work, new glasses or an unexpected hospital stay.

Out-of-Pocket Expenses	Annual Average	Taxes Saved (27% Tax Bracket)
Physician	$1,110	$299
Inpatient Hospital	$1,115	$301
Pharmacy	$555	$150
Outpatient Hospital	$560	$151
Other	$130	$35
Total	$3,470	**$936**[2]

[1]According to the U.S. Internal Revenue Service guidelines, each employee can contribute a maximum of $2,650 per plan year starting 1/1/18. For more information, visit www.irs.gov/irb/2012-26_IRB/ar09.html.

[2]Tax savings is dependent upon your annual income and tax bracket. Example for demonstration purposes only.



If that **$3,470** were put into an FSA before taxes, the family could save nearly **$1,000** in taxes!

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How do I access my funds?

- There are two ways for you to access the funds in your Flexible Spending Account!

1. VISA Debit Card

   - ✓ HRC will provide you with a smart debit card which you can use to pay for eligible expenses. When you are at a provider or a merchant with an IIAS (Inventory Information Approval System), you simply swipe your card and it will deduct the eligible expenses from your account. Always keep a receipt of services or an itemized receipt to verify the expense.
   - ✓ Your card will only work for dental and vision expenses if you have a LPFSA.



2. Claim Submission

   - ✓ You may also submit a claim for reimbursement online, or via fax, mail, or mobile app, as long as you attach an itemized receipt showing the eligible expense. Receipts are required in order to process claims, and must have service date/purchase date, description of service/item purchased, name of provider/merchant, and the expense amount.

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What is a Dependent Care Account (DCA)?

- A Dependent Care Account is an account you can put money into that allows you to reimburse yourself for qualified dependent care expenses, such as:
  - ✓ Daycare
  - ✓ Preschool
  - ✓ Adult daycare
  - ✓ After school programs
  - ✓ Day camp



- If your dependents are 13 years or older, they would have to be deemed mentally or physically incapable of caring for themselves for the expense to be eligible.
- You do not pay taxes on this money.
- This means you'll save an amount equal to the taxes you would have paid on the money you set aside.

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How does a DCA work?

- You elect an annual contribution, and then your employer deducts the funds from your paycheck each pay period, in equal increments throughout the year, until you reach the amount you have specified.
- Dependent care expenses cover qualified dependents, such as children 12 or younger, or a spouse/tax dependent who is mentally or physically incapable of caring for themselves.
- The dependent care expense incurred must allow a single parent or both married parents to be gainfully employed or attend school full time during the time the care is being provided.
- Your dependent must live in your home for at least 8 hours each day.
- Any day care center or program must meet the state and local requirements in order to be eligible.
- A babysitter can watch the dependent inside or outside the home, as long as the sitter is at least 19 years of age and is not your spouse or someone you claim on your tax return as a dependent.

How much can I elect?

- Maximum Election – $7500 per plan year
  - ✓ However, if you're married and file separate tax returns, the maximum is $3,750.
  - ✓ If your spouse is a student, your dependent care expenses may only be reimbursed if (s)he attends an education institution (as defined by the IRS) for a minimum of 5 months per year
- Money is only available for reimbursement as it is deducted from payroll and posted to your account.
- 2 ½ Month Extension – Allows you 75 days from the end of the plan year to incur new eligible expenses and spend the money that was left from the previous year. All expenses must be submitted by the 90th day of the run-out.
- Unused funds are forfeited back to the plan. (IRS Rule)

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How does this save me money?

Your Estimated Tax Savings			
WITHOUT Dependent Care FSA		**WITH** Dependent Care FSA	
Gross Annual Pay	$60,000	Gross Annual Pay	$60,000
Average Tax Rate (30%)	-$18,000	Average Tax Rate (30%)	n/a
Max Annual DCA Contribution	n/a	Max Annual DCA Contribution *(pre-tax)*	-$7,500
Adjusted Gross Pay	n/a	Adjusted Gross Pay	$52,500
Taxes (30%)	n/a	Taxes (30%)	-$15,750
Net Annual Pay	$42,000	Net Annual Pay	$36,750
Annual Dependent Care Expenses	-$7,500	[illegible]	[illegible]
Final Take Home Pay	**$34,500**	**Final Take Home Pay**	**$36,750**

All figures in this table are estimates, and based on an annual salary of $60,000 and maximum contribution to the benefit account. Your salary, tax rate, dependent care expenses, and tax savings may be different.

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How do I access my funds?

- There are two ways for you to access the funds in your Dependent Care Account!

1. **VISA Debit Card** –HRC will provide you with a smart debit card which you can present at the day care facility you use if they accept credit cards as a form of payment. Always keep your itemized receipt to verify the expense. *You can only use your card for the current balance in your account.*
2. **Claim Submission** – You can also submit a claim online, or via fax, mail, or mobile app. You can submit your claim three ways.
   - ✓ Submit a completed claim form with your provider's signature. (no receipt required)
   - ✓ Submit a completed claim form with an itemized receipt including: service start and end date, description of service, provider, expense amount, tax ID #, and the dependent receiving the service.
   - ✓ **BEST WAY!** Submit one claim form with provider's signature or receipt at the beginning of the year for the whole year if you have the same expense all year.



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How does the card work?

- Use the card to pay for eligible items at IIAS merchants that accept VISA® (over 50,000 locations nationwide)
  - ✓ Eligible expenses are deducted from the account balance at the point of sale.
  - ✓ Transactions are fully substantiated – no follow-up is needed.
- HRC uses its auto-substantiation technology to electronically verify the transaction's eligibility according to IRS rules.
- The card can also be used in response to "balance due" notice from a hospital, doctor, dentist, or vision provider, as long as the services are within the plan year.

HRC Mobile App

Download the HRC App to have easy 24/7 access to your account.



- Simple login
- Access available balance and account information
- File claims
- Upload receipts
- Text message alerts
- Convenient Customer Service contact information

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Online Participant Portal

- Easy, Convenient & Secure

  - ✓ Simple login to access your account 24/7
  - ✓ Check your balance
  - ✓ File FSA or DCA claims
  - ✓ View the status of reimbursements
  - ✓ Add direct deposit for reimbursements
  - ✓ View claims requiring receipts
  - ✓ Monthly statements posted on the 15th of each month
  - ✓ Order a replacement debit card



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Why should I enroll in the FSA/DCA?

REAL SAVINGS! REAL SIMPLE!

FSA:

- **Covers what your health insurance doesn't** - like deductibles, co-pays, and other eligible expenses
- **Saves you money on the health care you need** - like dental, vision, prescriptions and more
- **Makes reimbursement for medical expenses easy** - the full amount you set aside is available on your first day of coverage, plus the VISA Debit Card reduces paper claims

DCA:

- **Saves you money on dependent care you need** - like daycare, adult daycare, preschool, afterschool care, etc.

Oh, and did we mention that...

- **IT SAVES YOU MONEY** - setting aside a portion of your pay helps you fund out-of-pocket expenses and reduces your annual taxable income, putting more money in your pocket

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I want to enroll…..now what?

- Decide how much you want to contribute to your account(s).
- You will want to spend some time estimating your anticipated eligible medical and dependent care expenses for the 2027 calendar year, as Federal tax regulations require that any amounts above $700 that go unused in your Health FSA Account the end of the calendar year be forfeited.
- You do have 90 days from the end of your plan year to submit claims incurred within the plan year. (90 day run-out)

ACTION ITEMS:

- ✓ Use the provided worksheets to decide how much you will elect.
- ✓ Complete an enrollment form and submit it to HR

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CONTACT US

Contact Customer Service: Monday – Friday 8:30AM-5:00PM EST

(603) 647-1147 Option 1 (866) 978-7868 CustomerService eForm



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Questions



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