



Flexible Spending Accounts



- Health Care
- Dependent Care

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(Under *Instant Connections*, click on *Flexible Spending*.)



BlueCross BlueShield of Delaware

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Blue Cross Blue Shield of Delaware is an independent licensee of the Blue Cross and Blue Shield Association.

Flexible Spending Accounts make it easy to reduce taxes, save money, and attract and retain valuable employees.

Enhance Your Benefits Package with FSAs

Blue Cross Blue Shield of Delaware (BCBSD) offers Flexible Spending Account (FSA) administration to help enhance your benefits package. FSAs make it easy for your employees to realize significant tax savings. As an employer, you can offer the following FSAs:

- Health Care
- Dependent Care

Employees can use one or more of these FSAs to reduce their taxes.

Here's How Each FSA Option Works:

Health Care Option

Your employees now pay for out-of-pocket health care expenses on an after-tax basis. Most employees' health care expenses do not exceed federal income tax deduction thresholds. By implementing a health FSA, employees can pay for eligible health care expenses on a pre-tax basis, cutting costs by reducing their federal income taxes, FICA taxes and, in most states, their state income taxes. Please refer to the *Example of Semi-Monthly Employee Savings* on page three. Typical out-of-pocket health care expenses include:

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|---|--|---|
| <ul style="list-style-type: none"> ■ Health care deductibles and copays ■ Prescription drug copays ■ Dental expenses, including: <ul style="list-style-type: none"> • copays • deductibles ■ Vision expenses, including: <ul style="list-style-type: none"> • eye exams • eye glasses | <ul style="list-style-type: none"> • dental implants • orthodontia • contact lenses and solution • laser eye surgery | <ul style="list-style-type: none"> ■ Other expenses, including: <ul style="list-style-type: none"> • chiropractic care • hearing aids • diabetic care • physical therapy • smoking cessation programs • weight loss programs to treat a specific condition • outpatient psychiatric care • over-the-counter medications |
|---|--|---|

Health FSAs generally do not require any change in the health coverage you provide. If you offer a high-deductible health plan that qualifies for contributions to a health savings account (HSA), you may offer a limited purpose FSA for dental and vision expenses only.

Dependent Care Option

Many employees who have children under the age of 13 pay for dependent care. Your employees pay these expenses to ensure that during working hours, their children get the attention and care they need. Some examples of dependent care expenses are:

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|--|--|
| <ul style="list-style-type: none"> ■ Day care ■ Before and after school care | <ul style="list-style-type: none"> ■ Day camp ■ Preschool (not kindergarten) |
|--|--|

For dependent care expenses, dependent care FSAs may provide more tax advantages than the federal income tax credit. To compare savings, your employees will need to consider the following factors:

- | | |
|--|---|
| <ul style="list-style-type: none"> ■ Tax filing status ■ Amount of expense | <ul style="list-style-type: none"> ■ Adjusted gross income ■ Number of dependents in day care |
|--|---|

FSA Benefits from Blue Cross Blue Shield of Delaware

Advantages for your employees:

- Pay for eligible out-of-pocket expenses on a pre-tax basis:
 - Federal income tax savings
 - State income tax savings (in most states)
 - FICA tax savings
 - Optional (on employer level) pre-paid benefits card allows employees to have access to their reimbursement for certain transactions at the time of service

Advantages for you:

- A cost-effective way to enhance your employee benefits package
- A way to save FICA taxes
- Service from a name you can trust

Rely on Outstanding Service

When you offer FSAs, you can depend on our service. BCBSD provides:

Communication Services

- Employee meetings to explain FSAs in simple, easy-to-understand terms
- Employer-specific enrollment booklets
- Periodic meetings with employer representative (as needed)

Compliance Services

- Plan documents
- Non-discrimination testing
- Claims adjudicated compliant with IRS guidelines

Enrollment, Claims and Administrative Services

- Enrollment information maintained
- Employee claims received, evaluated and reimbursed on a bi-weekly basis

- Enrollment, payroll and claims reports
- Customer service
- Access to toll-free telephone number for inquiries
- Website access for forms, claims information and account management

Easy Implementation

The Employer:

- Selects plan year; initial plan year may be less than 12 months
- Decides whether to provide the pre-paid benefits card
- Determines the annual minimum and maximum allowable employee contribution
- Determines employee waiting period

NOTE:

For the health care FSAs, the employer should note that each employee's entire annual election is available for reimbursement of eligible health care expenses incurred starting on the first day of the plan year.

Each Employee:

- Determines the amount of his/her predictable annual out-of-pocket expenses
- Divides the total annual expense by the number of pays in the plan year
- Elects an equal amount to be deducted from each pay — on a pre-tax basis
- Has access to his or her entire annual health care election dollars at start of plan year
- Incurs out-of-pocket expenses and submits claims with proper documentation or uses pre-paid benefits card to pay for expenses if elected
- Receives reimbursement through direct deposit or check if pre-paid benefits card is not used

Summary of FSA Advantages

Blue Cross Blue Shield of Delaware FSAs are valuable benefits enhancements. FSA contributions mean lower taxes, and lower taxes mean more spendable income — a win-win situation for employees and employers. FSAs provide the following advantages:

Employees	Employers
<ul style="list-style-type: none"> ■ More spendable income ■ A broader, more attractive range of benefits ■ A smart way to pay for out-of-pocket expenses ■ Bi-weekly reimbursements, adhering to published reimbursement schedule ■ Access to website for forms, claims information and account management ■ Pre-paid benefits card (if elected by the employer) provides easy, instant payment for eligible expenses 	<ul style="list-style-type: none"> ■ Lower FICA taxes ■ A way to enhance benefit offerings ■ Optional pre-paid benefits card ■ Easy, confidential administration <p><i>We handle the work for you:</i></p> <ul style="list-style-type: none"> • Employee enrollment • Employer status reports • Claims eligibility research • Employee claims processing

Example of Semi-Monthly Employee Savings

Before FSA	Income:	After FSA
Gross Pay:	\$ 1,000.00	Gross Pay: \$ 1,000.00
Flex Deduction:	- 0	Flex Deduction: - 50.00
Taxable Income:	\$ 1,000.00	Taxable Income: \$ 950.00
Taxes at 25%:*	- 250.00	Taxes at 25%:** - 237.50
After-Tax Health Care Expenses:	- 50.00	After-Tax Health Care Expenses: - 0
Net Spendable	\$ 700.00	Net Spendable Income: \$ 712.50
		Per Pay Savings: \$ 12.50
		Annual Savings: \$ 300.00
		(based on 24 pays)
		Annual Employer Savings:*** \$ 91.80

* Assumes 25% federal income tax bracket. Includes federal, FICA and income taxes in most states.

** Assumes 25% federal income tax bracket. If higher, savings are even greater. Includes federal, FICA and income taxes in most states. Employees' W-2s will show reduced taxable wages and lower FICA taxes.

*** Based on 7.65% FICA savings