Health Care
Flexible Spending Account
what is a health care flexible spending account?

A health care flexible spending account is an easy, convenient way to get more out of your paycheck. It allows you to set aside pretax dollars and then use them to pay for certain out-of-pocket health care expenses as they occur throughout the year. You do not have to participate in your employer's (or any other) health plan to be eligible to participate in a health care flexible spending account.

How does it work?
At the start of the plan year, you choose how much you want to set aside with each paycheck — subject to any maximums set by your employer. You then withdraw funds from your account as needed throughout the year to reimburse yourself for the eligible health care expenses you’ve paid for such as copays, coinsurance (the percentage of the cost of your covered medical expenses after you meet your deductible), deductibles (the amount you pay before your plan starts to pay) and certain vision, dental or pharmacy costs. You’ll receive a debit card when you enroll in the flexible spending account that you can use to pay for eligible health care expenses at authorized health care professionals and pharmacies for yourself, your spouse and other covered family members, as long as they are a qualifying dependent under federal tax law.

Tax advantages
IRS rules allow you to contribute to your health care flexible spending account through pretax payroll deductions. That means the money is deposited into your account before deductions for income tax, Social Security and (in most cases) state withholding taxes. Money set aside in your account is worth more because it’s tax-free. You pay no taxes when you contribute or make withdrawals. It’s an easy and smart way to save.

Is a health care flexible spending account right for me?
If you can reliably forecast health care expenses for yourself and your covered family members for the coming year, a health care flexible spending account can be an excellent way for you to budget costs while cutting your taxes. Keep in mind that your actual savings depend on your specific situation. Your tax advisor can help you calculate the advantages of participating in this program.
Setting up and using your health care flexible spending account is simple, but it’s important to plan your contributions wisely.

1. Estimate costs
   Estimate your out-of-pocket medical expenses for the coming year for you and your eligible dependents. Think about how many times you usually see a health care professional in a year. Then think about any prescriptions you fill on a regular basis. Keep in mind what your medical, pharmacy or dental plans will cover and how much your payment will be under your plan(s). Use last year’s records as a guide, or ask your financial advisor to help you determine approximate expenses and how much to put into your flexible spending account. Remember, your employer may set a maximum allowable contribution.

2. Set up payroll deduction
   After you determine the amount to set aside for the year, divide the amount by the number of paychecks you receive yearly. This is the amount your employer will deduct from each paycheck for deposit in your pretax, non-interest-bearing flexible spending account.

   ▪ Remember, contribute only as much as you think you’ll need (subject to plan limits set by your employer). You lose what you don’t use. The IRS requires that you forfeit any unused account balances at the end of the year. You cannot withdraw the unused balance, and you cannot carry unused funds over to the following year.

   ▪ The total amount of your contribution remains in effect for the entire year. You can adjust your contribution only with a qualifying life event, such as the addition or loss of a dependent, or a change in marital status. You can, however, set aside a different amount each year.

3. Submit your enrollment

4. Activate your debit card
   In general, with the debit card you do not have to file any claims to your flexible spending account when you’re covered by a CIGNA medical, dental or pharmacy plan. Funds are automatically deducted from your flexible spending account, and you pay nothing out of your pocket at the time of service, as long as there is enough money in your flexible spending account to pay for the charge.

   ▪ You may use the card at any pharmacy, doctor’s office or other health care merchant for eligible health care goods and services. If used elsewhere, the card won’t be accepted.

   ▪ When you use the card at the point of sale, you may be asked to choose “Debit” or “Credit.” If given the option, choose “Credit.”

   ▪ The card may be used for eligible health care expenses only. The IRS mandates that retail establishments such as department stores, warehouse clubs, supermarkets and online pharmacies implement a process called an Inventory Information Approval System (IIAS). This process automatically recognizes items eligible under the flexible spending account at the register based on a list established by the IRS.

   ▪ The card may be declined if the items being purchased are not eligible according to the IIAS.

   ▪ Please keep all itemized receipts and statements. You may be required to submit receipts to CIGNA to document your debit card expenditures.

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