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## FLEXIBLE SPENDING ACCOUNTS

Your employer is giving you the opportunity to enroll in an employee benefit plan called a flexible spending account (FSA) through Section 125 of the Internal Revenue Code. An FSA is an employer-established benefit plan that is generally funded with pretax contributions by employees. The Internal Revenue Service (IRS) sets a maximum amount of money that you can contribute to an FSA, and your employer may set a minimum contribution. The main disadvantage of an FSA is the use-or-lose rule, which states that any unspent funds remaining at the plan year's end will revert back to the plan, not to you. You may minimize this potential risk by allocating only enough pretax dollars to cover expenses that you expect to incur in the coming plan year.

### MEDICAL FSA

A medical FSA covers eligible health-care expenses not reimbursed by any medical, dental, or vision care plan you or your dependents may have (but not health insurance premiums). An employer may set the annual maximum contribution no higher than \$3,300, per federal law. You may submit claims for yourself and your eligible dependents, including your spouse, children, and any other person who is a qualified IRS dependent.

The medical FSA operates much like a bank account. Deposits are made into the account in the form of pretax payroll deductions. You can withdraw funds from the account to pay for qualified medical expenses even if you have not yet placed the funds in the account. Withdrawals from the account are made using a flex reimbursement form. You should submit the reimbursement form and a copy of your receipt or bill to ASR Health Benefits, who will then issue you a check. Alternatively, your employer offers a more convenient method of reimbursement, a Benefits (debit) Card (see description below). You can manage your account at [www.asrhealthbenefits.com](http://www.asrhealthbenefits.com).

Review your past medical expenses and plan your future needs carefully to decide if the medical FSA is right for you. Also, note the deductible, coinsurance, and co-payment amounts required in the health plan option that you have selected, as they can also be reimbursed from your medical FSA. For a complete list of eligible and ineligible medical expenses, refer to Internal Revenue Publication 502 at [www.irs.gov](http://www.irs.gov).

Here is an illustration of the savings under a medical FSA, which assumes a 28% federal tax rate and a 7.65% social security tax rate\*:

	Without Medical FSA (After Tax)	With Medical FSA (Before Tax)	Amount of Savings
Dental Expenses	\$500.00	\$322.00	\$178.00
Co-payments and Deductibles	\$400.00	\$257.00	\$143.00
Contacts and Glasses	\$300.00	\$193.00	\$107.00

You can see by these examples that you pay less than the actual expense because you are not taxed on the reimbursed amount. If you participate in the medical FSA, the money you designate for health-care expenses will purchase more. For example\*, if you estimate that you will spend \$1,200.00 for health care expenses in the 2025-26 plan year, the table below illustrates the amount you will have available to you to spend on health-care expenses both with and without a medical FSA (assuming the same tax rates as above):

	Without Medical FSA	With Medical FSA
Annual Salary	\$30,000.00	\$30,000.00
Medical FSA Annual Contribution	\$0.00	\$1,200.00
Taxable Income	\$30,000.00	\$28,800.00
Amount Available for Health Care Expenses	\$772.00	\$1,200.00

\*These examples are not intended to offer legal or tax advice. Consult your tax advisor before enrolling in the FSA.

If you terminate participation in the medical FSA before the end of the plan year, you must submit all claims within 90 days of the date of termination. If the contributions made to your medical FSA as of the date of termination exceed the claims submitted, you may continue participation through COBRA.

Note on HSA Participation: If you contribute to an HSA, you are ineligible to participate in the medical FSA. If your spouse or other dependent is enrolled in a high-deductible health plan/HSA through his or her employer or another source, you should not elect to participate in the employer's medical FSA for the plan year, or else your spouse or other dependent will be ineligible to contribute to the HSA.

## MEDICAL FSA ELECTION WORKSHEET AND ELIGIBLE EXPENSES

Estimate Your <i>Uninsured</i> Medical Expenses			Estimate Your <i>Uninsured</i> Dental Expenses		
Medical deductibles:	\$	per year	Dental deductibles:	\$	per year
Medical coinsurance:	\$	per year	Dental coinsurance:	\$	per year
Vision care:	\$	per year	Exams/Cleanings:	\$	per year
Routine examinations:	\$	per year	Orthodontia:	\$	per year
Prescription drugs:	\$	per year	Fillings/Crowns/Bridges:	\$	per year
Co-payments:	\$	per year	Dentures:	\$	per year
Other:	\$	per year	Other:	\$	per year
<b>Subtotal:</b>	<b>\$</b>	<b>per year</b>	<b>Subtotal:</b>	<b>\$</b>	<b>per year</b>
<b>Total Annual Medical FSA Contribution (combine both Subtotal amounts):</b>			<b>\$</b>	<b>per year</b>	

Eligible Expenses	
Acupuncture	Lifetime care
Alcoholism or drug treatment	Massage therapy (physician prescribed to treat a medical condition)
Ambulances	Menstrual care products
Birth control (including male and female condoms)	Nursing services (medically necessary, including midwife fees)
Body scans	Optometrist's fees
Car controls (handicapped equipment)	Over-the-counter drugs to alleviate or treat illness or injury
Chiropractors	Pap smears
Cord blood storage (for future use for child born with medical condition)	Personal protective equipment to prevent COVID-19 (masks, sanitizers)
Cosmetic surgery (medically necessary)	Physical therapy
COVID-19 testing (including home testing)	Prescription drugs
Crutches	Smoking cessation aids/programs
Deductibles and co-payments	Sterilization
Dental expenses	Surgery (general)
Diagnostic tests (pregnancy, ovulation, cholesterol & blood pressure)	Syringes
Doctor's fees	Teeth whitening (for discoloration from disease, birth defect, or injury)
Equipment (medical)	Television (closed captioned)
Guide dogs	Travel or transportation for medical care
Hearing aids	Vision expenses (including exams, eyeglasses, & contact lenses)
Hypnosis (for treatment of disease)	Vitamins and supplements to treat a medical condition
Immunizations	Weight-loss program fees/expenses (treatment for underlying disease)
Lab fees	Well-baby care
Lasik (Laser) eye surgery	Wheelchairs
Learning disabilities (instructional fees)	X-rays

Ineligible Expenses	
Bottled water	Insurance premiums
Cosmetics, toiletries, toothpaste, etc.	Long-term care
Custodial care in an institution	Marriage or family counseling
Electrolysis	Maternity clothes, diaper services, etc.
Food for weight-loss programs	Meals and general lodging
Funeral and burial expenses	Travel (vacation or general)
Health or social club dues	Uniforms
Household and domestic help	Vitamins and supplements taken for general health purposes

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## CARRYOVER

You may carry over up to \$660 of any amount remaining in your medical FSA as of the end of the plan year to the immediately following plan year if you have elected to participate in the medical FSA for that following plan year. For this purpose, the amount remaining as of the end of the plan year is the amount unused after medical expenses have been reimbursed at the end of the plan's run-out period for the plan year. The carryover amount may be used to pay or reimburse medical expenses incurred under the medical FSA during the entire following plan year.

The carryover of up to \$660 does not count against or otherwise affect the indexed \$3,300 salary-reduction limit applicable to each plan year.

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## DEPENDENT CARE FSA

With the dependent care FSA, you can reduce your tax burden by using pretax dollars to pay expenses for eligible child care or adult care for senior-citizen dependents that live with you. Federal law also allows you to claim a direct credit against federal income taxes for eligible child or dependent care expenses. However, any amount you claim under the dependent care tax credit will be reduced by the amount you are reimbursed under the dependent care FSA. The amount reimbursed under the dependent care FSA reduces, dollar-for-dollar, the amount of dependent care expenses that are eligible for the dependent care tax credit; therefore, you should either participate in the dependent care FSA to the fullest extent possible or claim the tax credit.

The dependent care FSA operates much like a bank account. Deposits are made into the account in the form of pretax payroll deductions. Withdrawals from the account are made using a flex reimbursement form. You should submit the reimbursement form and a copy of your receipt or bill to ASR Health Benefits, who will then issue you a check. Alternatively, your employer offers a more convenient method of reimbursement, a Benefits (debit) Card (see description below). You can manage your account at [www.asrhealthbenefits.com](http://www.asrhealthbenefits.com). Note that if you terminate participation in the dependent care FSA before the end of the plan year, you must submit all claims within 90 days of the date of termination.

Dependent care expenses are expenses you incur to enable you to work. If you are married, the expenses must be incurred to enable you and your spouse to work, or to enable your spouse to attend school on a full-time basis. The expenses must be for the care of your dependent who is under age 13 and for whom a personal-exemption deduction is allowed for federal income tax purposes, for the care of your dependent or spouse who is physically or mentally incapable of self-care, or for household services in connection with the care of a qualifying dependent.

The maximum amount that can be reimbursed (i.e., deposited) is the lowest of your earned income, your spouse's earned income, or \$5,000.00 (\$2,500.00 if you are married and you file a separate tax return). If your spouse is a full-time student or is incapable of self-care, your spouse's earned income is assumed to be not less than \$250.00 if you provide care for one dependent, or \$500.00 for two or more dependents, for each month that your spouse is a student or incapable of self-care. Please refer to Internal Revenue Publication 503 for more information on eligible and ineligible expenses at [www.irs.gov](http://www.irs.gov).

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## DEBIT CARD

You may use the ASR Health Benefits Card to pay for eligible expenses with funds from your own medical or dependent care FSA at the time and place the expense is incurred. The ASR Health Benefits Card operates within the Visa® credit card network. Your card will be accepted at most service providers and merchants where FSA-eligible expenses can be purchased, including hospitals, doctors' offices, dental offices, optical stores, pharmacies, and even some day-care centers.

By law, merchants may choose to require either a signature debit or a personal identification number (PIN) debit. If you do not have a PIN or forget your PIN, the merchant can run the transaction as a signature debit or require another form of payment. You may obtain your PIN or reset your PIN by calling (866) 898-9795. Your PIN is system generated and cannot be customized. You are unable to make cash withdrawals at ATMs or at stores that allow for cash back on PIN debit purchases. Note: Report a lost or stolen card by calling ASR's Billing and Enrollment Department at (800) 968-2449.

When you use your ASR Health Benefits Card, you will not have to pay for the expense, file substantiating documentation with a request for reimbursement, and then wait for the refund check to come. Most merchants have what is called an inventory information approval system (IIAS) in place to ensure FSA debit cards are used only for medical expenses that are FSA eligible. Examples of these merchants are drug stores, pharmacies, and grocery stores. Because most items in these stores will be identified as FSA eligible through IIAS, you will not have to substantiate the FSA-eligible items that you purchase with your ASR Health Benefits Card.

Make sure that you use your ASR Health Benefits Card only for FSA-eligible expenses! If you purchase an ineligible item using your ASR Health Benefits Card, you will have to write a personal check to reimburse your FSA account, or the amount will be deducted from a future claim request.

You may purchase over-the-counter (OTC) medicines – as well as non-medicine OTC items, such as bandages, blood-sugar test kits, and test strips – with your ASR Health Benefits Card **without a prescription**.