

FSA Open Enrollment Guide 2010



**FSA
Online Open
Enrollment is
October 25
through
November 8,
2010**

\$pend Less. \$ave More. Flexible Spending Accounts Open Enrollment.

You work hard for your money, why not keep a little more of it? Enroll in a Flexible Spending Account (FSA) and join the thousands of other MSU employees who have discovered the advantages of paying for certain medical and child care expenses with pre-tax dollars.

Let's face it, some expenses in life just aren't negotiable. Nearly everybody spends money each year on out-of-pocket medical expenses such as prescription drug and office visit co-pays, deductibles, prescription eye glasses, dental work and even over-the-counter items like contact lens solution, thermometers and more. And many working parents spend thousands of dollars each year on child care.

Many have found that buying these items and services with pre-tax dollars is a sound strategy for saving money. Flexible Spending Accounts, or FSAs, let you trim your taxes while purchasing the medical and child care services you need.

MSU offers eligible faculty and staff two different kinds of FSAs. The *Health Care Spending Account (HCSA)* can be used for eligible medical expenses. The *Dependent Care Spending Account (DCSA)* can be used for eligible child and dependent care expenses. See pages 4 and 5 for examples of eligible expenses.

Open Enrollment Assistance Sessions

Wednesday, October 27, 2010
MSU Union, Green Room
10 a.m. – 2 p.m.

Thursday, November 4, 2010
MSU International Center
Spartan Room C
10 a.m. – 2 p.m.

Monday, November 8, 2010
MSU International Center
Spartan Room C
9 a.m. – 3 p.m.

Key HCSA Debit Card Facts

- After December 31, 2010, when you use your HCSA debit card, it will draw from your 2011 Health Care Spending Account. Please note that you may continue to use remaining 2010 funds through March 15, 2011, however, you can no longer use the debit card to access 2010 funds after December 31, 2010. Instead, you will need to pay for eligible items or services first and then submit receipts along with a reimbursement request form in order to be reimbursed from 2010 funds.
- Debit cards offer you the convenience of paying with the swipe of a card - but you still need to keep those receipts! IRS rules require Flexible Spending Account administrators to substantiate the eligibility of ALL items and services billed to Flexible Spending Accounts, including those transactions using HCSA debit cards. Some types of expenses, like doctor visits or prescription drug co-pays, can be automatically substantiated because co-pays are predictable amounts from medical providers.
- **KEEP YOUR 2010 "BENNY" CARD!** On January 1, 2011, your existing "Benny" Debit Card will automatically be connected to your 2011 account. You will not be sent a new card for the 2011 year unless you are a new enrollee – so be sure to hold on to your current card or cards. If you need to order additional HCSA debit cards for members of your family that are eligible for coverage, contact Meritain Health at 800-748-0003. If you need to order additional HCSA debit cards, there will be a fee.
- You should be aware that recent changes to IRS code mean that over-the-counter (OTC) medications that used to be eligible expenses

for HCSA reimbursement will no longer be considered eligible without a prescription as of January 1, 2011. After this time, if you try to buy these items with your HCSA card, the transaction will be rejected. Please read the article on page 8 for further information about this change.



Spend Less. Save More.
Flexible Spending Accounts

Dependent Care Spending Account Information

If you have IRS tax dependent children ages 12 or younger, or IRS tax dependent elderly parents, children 13 or older or a spouse who are physically or mentally disabled and unable to care for themselves, you should consider enrolling in a Dependent Care Spending Account (DCSA)!

A DCSA is a benefit to help you meet your dependent care expenses. It enables you to save money by paying for dependent care expenses in pre-tax dollars.

You may contribute up to \$5,000 total for the full calendar year. If your spouse's employer also offers a DCSA or you both work at MSU, your combined total cannot exceed \$5,000.

To qualify for reimbursement according to IRS rules, eligible expenses must be incurred for qualifying dependents and these expenses must be work-related. Work-related expenses are expenses incurred because you are single and working, or if you are married, because your spouse is also working, is going to school full-time, or is mentally or physically handicapped and incurs eligible expenses.

Covered care includes the cost of care provided in or out of your home for a qualifying dependent. If the qualifying dependent is a spouse or parent, that individual must spend at least 8 hours each day living in your home.

Specifically, eligible expenses include baby sitters inside or outside the home while you work, preschool, day care centers, licensed nursery schools, day camps for dependents 12 and younger, au pairs or nannies, and sick child facilities. Care providers can include relatives as long as they are not tax dependents. Elder care providers and adult day care facilities also are covered.

Ineligible expenses include care provided by another tax dependent or child under 19, transportation to and from a care provider, schooling for children in kindergarten or higher, overnight stay or overnight summer camp, and residential nursing home expenses.

Please see the DCSA planning worksheet on page 9 or visit www.hr.msu.edu/fsa for more information.

FSA Important Dates

Flexible Spending Accounts can offer some great tax advantages, but it's important you are familiar with the program deadlines. *If you have not used all of your funds and submitted your receipts by the required deadlines, IRS code requires that remaining funds be forfeited. It is very important to remember that the deadlines for using funds are different for Dependent Care Spending Accounts (DCSA) and Health Care Spending Accounts (HCSA).* Important deadlines to know for both the 2010 and 2011 program years include:

For the 2010 Program Year

- The deadline to use your DCSA funds is: December 31, 2010
- The deadline to submit receipts for your DCSA is: April 30, 2011
- The deadline to use your HCSA funds is: March 15, 2011
- The deadline to submit receipts for your HCSA is: April 30, 2011

For the 2011 Program Year

- The deadline to use your DCSA funds is: December 31, 2011
- The deadline to submit receipts for your DCSA is: April 30, 2012
- The deadline to use your HCSA funds is: March 15, 2012
- The deadline to submit receipts for your HCSA is: April 30, 2012

More Details on Flexible Spending Accounts

How FSAs Work

When you enroll in an FSA, you will need to decide on your annual contribution amount for the 2011 calendar year (January - December).

Your contributions will be deducted from your paychecks and will not be taxed.

It is important to estimate as closely as possible how many eligible expenses you are likely to incur in the 2011 calendar year because any funds not used during the plan year must be forfeited under Internal Revenue Code.

When you have paid an eligible medical or dependent care expense, you will fill out a simple reimbursement request form. You submit receipts for the expense with the request form. You're then reimbursed for those expenses with the tax-free dollars from the accounts.

Or, for some expenses like prescriptions and office visit co-pays, you can just pay for the purchase directly with your HCSA debit card. You don't have to fill out any forms when you use the debit card, but you do need to save your receipts.

What Do Dependent Care Spending Accounts Cover?

To be eligible for reimbursement, dependent care expenses must meet some rules established in Internal Revenue Code for dependent child and elder care:

- The dependent cared for must be 12 or younger, or, if older, physically or mentally incapable of self-care.

- Day care must be necessary in order for you and (if you are married) your spouse to work or attend school full-time.

- The person cared for must be claimed as a dependent on your federal income tax return and must reside in your home at least eight hours per day.

- Payment for care cannot be made to anyone you claim as a dependent on your tax return, to your spouse, or to your child under age 19.

- If care is provided by a center that cares for more than six individuals, it must be licensed.

What Do Health Care Spending Accounts Cover?

You may use your Health Care Spending Account to pay for the following items. (Please note that you can only use the HCSA to pay for items or portions of items that are NOT reimbursed or paid for through your health insurance.)

DENTAL SERVICES

Crowns/Bridges
Dental X-Rays
Dentures
Exams/Teeth Cleaning
Extractions
Fillings
Gum Treatment
Oral Surgery
Orthodontia/Braces

INSURANCE-RELATED ITEMS

Co-pay and Co-insurance Amounts
Deductibles
Pre-existing Condition Expenses
Private Hospital Room Differential

LAB EXAMS / TESTS

MEDICATION

Insulin
Prescribed Birth Control
Prescribed Vitamins
Prescription Drugs

OVER-THE-COUNTER ITEMS

Many over-the-counter items such as splints, cold and hot packs, rubbing alcohol and thermometers are eligible. However, effective January 1, 2011, OTC medications, such as pain relievers, cold medicines, first aid creams, etc. will require a prescription. (See page 8.)

OBSTETRIC SERVICES

Lamaze Class
Mid-Wife Expenses
OB/GYN Exams
Post-Natal Treatment
Pre-Natal Treatment

PRACTITIONERS

Allergist
Certified Nurse Specialist
Certified Registered Nurse Anesthetist
Chiropractor
Christian Science
Dermatologist

Homeopath
Naturopath
Nurse Practitioners
Osteopath
Physician
Psychiatrist
Psychologist

OTHER MEDICAL TREATMENTS/ PROCEDURES

Acupuncture
Alcoholism (inpatient treatment)
Drug Addiction Treatment
Hearing Exams
Hospital Services
Infertility
In-vitro Fertilization
Norplant Insertion or Removal
Office Visits
Physical Therapy
Rolfing
Speech Therapy
Sterilization
Transplants (includes organ donor)
Vaccinations/Immunizations
Vasectomy and Vasectomy Reversal
Well Baby Care

OTHER MEDICAL EQUIPMENT SUPPLIES and SERVICES

Abdominal/Back Supports
Ambulance Services
Arches/Orthopedic Shoes
Counseling
Crutches
Hearing Aids and Batteries
Hospital Bed
Medic Alert Bracelet or Necklace
Oxygen Equipment
Prosthesis
Splints/Casts

Support Hose (if medically necessary)
Syringes
Transportation Expenses (essential to medical care)
Tuition Fee at Special School for Disabled Child
Wheelchair

VISION SERVICES

Artificial Eyes
Contact Lenses
Contact Lens Solution
Eye Examinations
Eyeglasses
Laser Eye Surgeries
Ophthalmologist
Optometrist
Prescription Sunglasses
Radial Keratotomy/LASIK

You will NOT be reimbursed for:

Cosmetic Surgery or Cosmetic Dental Work
Cosmetics
Electrolysis
Toiletries
Prescription Drugs for Cosmetic Purposes
Vacations or Recreational Activities
Health Club Dues

Please note that this is a partial listing of eligible and ineligible items and services covered by FSAs.

Contact Meritain Health directly if you have questions about the eligibility of an item or service that does not appear on this list. The phone number for Meritain Health is 800-748-0003. You can also visit their website at:

www.Meritain.com.

How Much Can I Contribute to an FSA at MSU?

You may contribute up to \$5,000 to your Dependent Care Spending Account (per-household total).

Eligible employees may contribute up to \$5,000 to your Health Care Spending Account. This is a per-eligible individual total. For spouses who both work at MSU and are eligible, this means each spouse may contribute up to \$5,000 for a household total of \$10,000.

Your savings will vary based on your income tax rate and the number of out-of-pocket health and child care costs you typically incur. Please view additional Flexible Spending Accounts information at: www.hr.msu.edu/fsa.

Date of Service is Important

Please note that reimbursement is based on the date of service, not the date you submit the claim. Any claims for expenses need to be submitted to the plan administrator, Meritain Health. Claim forms for Meritain Health are on the MSU HR website at www.hr.msu.edu. Click the Benefits link and then the Flexible Spending Accounts link.

Don't let another year pass you by without discovering if Flexible Spending Accounts could benefit you and your family!

Informed Enrollment System Can Help You Estimate Your Out-of-Pocket Expenses

This year when you go through the FSA Open Enrollment process you will have an option to use an “informed enrollment” tool provided to MSU health plan enrollees through Thomson Reuters. The informed enrollment system can show you health care expenses you incurred last year, which may be helpful to you in estimating what your health care expenses will be in the coming year. It can also help you forecast likely increases and decreases in spending for the coming year. You can access the informed enrollment system by clicking eHR Login at www.hr.msu.edu. Once you log in with your MSU NetID and password, select Benefits Enrollments and Information. Then select FSA Informed Enrollment.

The screenshot shows a web interface for the Informed Enrollment System. At the top, a dark green header contains the text "INFORMED ENROLLMENT FOR EMPLOYEES OF MICHIGAN STATE UNIVERSITY" and a "CLOSE" button. Below the header, the main content area is divided into two columns. The left column has a "WELCOME!" heading, followed by a paragraph stating that the website is easy to use and takes less than 10 minutes. Below this are two bullet points: "The Right Amount" (How much should you contribute to a healthcare spending account to maximize your tax savings?) and "The Right Care" (What preventive care does your family need?). The right column features a photograph of a smiling family (a woman, a child, and a man). At the bottom of the main content area, there is a light green bar with the text "Open enrollment for 2011 is October 25 - November 8." and a large, dark green "START" button. Below this bar, a privacy notice states: "Your privacy is fully protected. The information displayed in this tool is provided by Thomson Reuters, a third-party company that's independent of your employer. The health information here is provided solely for your use-none of it is shared with your employer or stored in any way." At the very bottom, there are three sections: "COPYRIGHT © 2010 THOMSON REUTERS. Terms of Use | Privacy Policy | Disclaimers | Contact Info", the "MICHIGAN STATE UNIVERSITY" logo, and the "POWERED BY THOMSON REUTERS" logo.

The screenshot above shows the starting page for the informed enrollment system that can help you select the right amount of withholdings to designate for your Health Care Spending Account.

Worksheet for HCSA Planning

Many people are sold on the tax benefits of using Flexible Spending Accounts, but fail to enroll because they are worried they may withhold the wrong amount and wind up losing money at the end of the year. But with a little advance planning, you can match your FSA withholdings to the amount you are likely to spend on eligible health care out-of-pocket costs. Try using the HCSA worksheet below to estimate your minimum eligible expenses for the upcoming year and then plan conservatively by selecting withholdings equal to or less than your expected expenditures. This can reduce your risk of losing funds and help you use FSAs effectively.

Estimating annual health care expenses:

- | | |
|--|------------|
| 1. Medical/dental insurance deductibles | \$ _____ |
| 2. Medical insurance co-pays | + \$ _____ |
| 3. Dental and orthodontia co-pays | + \$ _____ |
| 4. Prescription drug co-pays | + \$ _____ |
| 5. Eye examinations | + \$ _____ |
| 6. Glasses or contact lenses | + \$ _____ |
| 7. Contact lens solutions and supplies | + \$ _____ |
| 8. Medically necessary elective surgery
(such as LASIK eye surgery) | + \$ _____ |
| 9. Over-the-counter items used to treat
medical conditions | + \$ _____ |
| 10. Other planned medical costs | + \$ _____ |
| 11. Estimated total annual
medical/dental expenses for the year | = \$ _____ |
| 12. Divide by the number of times you
are paid each year (12 or 26) | / _____ |
| 13. Reduction amount from each paycheck | = \$ _____ |

FSA Enrollment Instructions

1. Go to www.hr.msu.edu on the Web
2. Click on the “eHR Login” link on the top or right hand side of the page
3. Enter your MSU NetID and password
4. Click on “Benefits Enrollments and Information”
5. Click on “Benefits Enrollment / Changes”
6. Click on “FSA Open Enrollment”
7. Click on “Flexible Spending Account Open Enrollment”
8. Enter in your New Elected Annual Amount for your DCSA and HCSA accounts
9. Confirm your enrollments

OTC Medications Will Become Ineligible Expenses Effective January 1, 2011

In March 2010, the Patient Protection and Affordable Care Act (PPACA) became law. PPACA, often referred to as the health care reform law, includes a significant change in what types of expenses are eligible for reimbursement from Health Care Spending Accounts (HCSA).



Effective January 1, 2011, over-the-counter medicines or drugs will only be eligible for reimbursement from your HCSA if you have a prescription for the medication. Please note that this change becomes effective for BOTH 2010 and 2011 HCSA account balances on January, 1 2011. That means you can continue to use your 2010 HCSA funds for eligible OTC medications up until the end of the day on Dec. 31, 2010. However, after this date, even if you have remaining 2010 funds that you are able to use until March 15, you can no longer use those remaining funds for OTC medications unless you have a prescription.

In addition, because automated systems will have no way of determining whether you do or don't have a prescription for an OTC drug or medication, effective Jan. 1, 2011 you will no longer be able to use your HCSA debit card to pay for OTC medications, even with a prescription. Instead, you will need to purchase those items and then submit a reimbursement form and receipt along with proof of a prescription.

You will still be able to use your debit card at IAS-compliant locations for all other eligible items, including eligible OTC supplies or items that do NOT contain a medication or drug, such as hot/cold packs, thermometers, alcohol swabs, etc. (See page 11 for additional information about IAS compliance.) To confirm whether or not an item is allowable before it's purchased, you may contact Meritain Health toll-free at 1-800-748-0003 or visit www.irs.gov.

How Do I Know Which OTCs Will Require a Prescription?

The types of OTCs that will require a doctor's prescription include, but are not limited to medications related to:

• Acid controllers	• Aspirin, ibuprofen, pain relief	• Laxatives
• Allergy and sinus	• Baby rash ointments/creams	• Motion sickness
• Antibiotic products	• Bandages that contains antibiotic	• Respiratory treatments
• Anti-diarrheals	• Cold sore remedies	• Sleep aids and sedatives
• Anti-gas	• Cough, cold and flu	• Stomach remedies
• Anti-itch and insect bite	• Digestive aids	
• Antiparasitic treatments	• Hemorrhoidal preps	

Please note the above list contains examples of certain items and should not be considered a full listing.

Worksheet for DCSA Planning

Many people are sold on the tax benefits of using Flexible Spending Accounts, but fail to enroll because they are worried they may withhold the wrong amount and wind up losing money at the end of the year. But with a little advance planning, you can match your FSA withholdings to the amount you are likely to spend on eligible dependent care costs. Try using the DCSA worksheet below to estimate your minimum eligible expenses for the upcoming year and then plan conservatively by selecting withholdings equal to or less than your expected expenditures. This can reduce your risk of losing funds and help you use FSAs effectively.

Estimating annual dependent care expenses:

1. # of weeks in the year 52
2. Minus the # of weeks with no expenses (i.e. vacation) - _____
3. Equals the total number of weeks of dependent care expenses = _____
4. Amount you spend weekly on dependent care \$ _____
5. Multiply the result of line 3 times the result of line 4 to estimate your annual dependent care expenses
6. Estimated annual dependent care expenses (from #5 above) \$ _____
7. Divide by the number of times you are paid each year (12 or 26) / _____
8. Reduction amount from each paycheck = \$ _____



Day care?



Elder care?



Sign up for a
Dependent Care
Spending Account!

Remember the Generic Prescribing Program

In determining the amount of money you want to withhold from your pay to fund your Health Care Spending Account (HCSA), please remember to take into consideration the MSU Generic Prescribing Program that went into effect in 2010. Under this program, you may have significantly higher out-of-pocket costs for prescription drugs if you choose to purchase a brand-name drug when a generic alternative is available. For your convenience, below is a chart summarizing MSU's Caremark Prescription Drug Plan co-pays.

CVS/Caremark Prescription Plan Co-Pays			
#	Drug Tier	34-Day Supply Co-Pays	90-Day Supply Co-Pays*
1.	Generic Drug	\$10	\$20
2.	Formulary Brand Drug (when no generic prescribing program alternatives are available)	\$20	\$40
3.	Non-Formulary Brand Drug (when no generic prescribing program alternatives are available)	\$40	\$80
4.	Formulary Brand Drug or Non-Formulary Brand Drug when a direct generic equivalent is available but not selected.	\$10 PLUS 100% of the difference in cost between the brand drug and the direct generic equivalent.	\$20 PLUS 100% of the difference in cost between the brand drug and the direct generic equivalent.
5.	Formulary Brand Drug or Non-Formulary Brand Drug when a "same class" generic drug is available from the Generic Prescribing Program "Level II" drug list. (See www.hr.msu.edu/generics for a more detailed description of Generic Prescribing Program Level II drugs.)	\$10 PLUS 100% of the difference in cost between the brand drug and the average cost of all the generics available in the same class of drugs.	\$20 PLUS 100% of the difference in cost between the brand drug and the average cost of all the generics available in the same class of drugs.
6.	Bio-Tech Drugs	\$50	\$100
*90-day supply medications may be filled at MSU Pharmacies or through CVS/Caremark mail order.			
If you have questions regarding which drugs are covered and at what co-pay, please contact CVS/Caremark at 1-800-565-7105.			
For more detailed information about the Generic Prescribing Program, visit www.hr.msu.edu/generics .			

Remember to Consider Deductibles

When estimating how much money you want to withhold from your pay for your Health Care Spending Account (HCSA), please remember to consider health plan deductibles, which are an eligible HCSA expense. Under the BCN Plan, all enrollees have in-network deductibles for certain types of services. Under the Community Blue PPO, executive managers, faculty and academic staff also have an in-network deductible. Deductibles will be billed by your health care provider.

If you want to review which services have deductibles for the health plan you are enrolled in, refer to the 2010 Benefits Open Enrollment Guide. If you do not still have your copy, you can find this publication online at www.hr.msu.edu/openenrollment.

Pharmacies Still Must be IIAS Compliant to take HCSA Debit Cards

Effective July 1, 2009, an IRS regulation may have impacted your ability to use your Health Care Spending Account (HCSA) debit card at some pharmacies to pay for prescription and over-the-counter (OTC) purchases.

This regulation required pharmacies to implement technology that automatically substantiates eligible prescription and OTC items and declines any ineligible items that you may attempt to purchase with your debit card. This technology decreases requests for you to submit receipts. Pharmacies that implemented this technology are IIAS compliant.

There was an exception to this rule, called the 90% Rule. If 90% of the items in a pharmacy are HCSA-eligible, the pharmacy was not required to become IIAS compliant. You may use your debit card at these pharmacies, but you need to substantiate your claim by submitting your receipts to Meritain Health.

Pharmacies that are not IIAS compliant or fall under the 90% Rule are not able to process any purchases using your debit card. You have to pay for prescription and OTC items out-of-pocket and submit receipts along with a reimbursement request form to Meritain Health for reimbursement.

On campus, the MSU Clinical Center and Olin Health Center pharmacies are fully IIAS compliant, meaning you can continue to buy prescription and eligible OTC items using your debit card at these locations. By using these or other IIAS compliant pharmacies, you typically are not required to substantiate your purchases.

To see a list of IIAS merchants and 90% Rule merchants, you can visit www.sig-is.org. Under the "Publications" tab on the left-hand side of the home page, you will see several links. Click on either "IIAS Merchants List" or "90% Rule Merchants List" to search for a participating pharmacy, drug store, etc. You can also ask your pharmacy if they are IIAS compliant or registered under the 90% Rule if you are unsure.

Please remember to keep all of your receipts handy in case you are asked to substantiate a purchase due to IRS regulations.

If you have questions, contact MSU Benefits at 517-353-4434, 1-800-353-4434 or via e-mail at benefitsinfo@hr.msu.edu.



Need braces?



Need glasses?



**Sign up for a
Health Care
Spending Account!**

MICHIGAN STATE
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MSU Human Resources
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