Medical Program Details

The Medical Expense Reimbursement Account is one of the tax saving options available to The University of Tennessee employees through the Flexible Benefits Plan. The Medical Expense Reimbursement Account is generally beneficial to anyone who has predictable out-of-pocket medical expenses. There is a maximum contribution limit of $2,650.

Eligible Medical Expenses

As a general rule, any categories of expenses that could be deducted on an IRS Form 1040 for medical expenses, **except insurance premiums,** can be paid for with pre-tax dollars through the Medical Expense Reimbursement Account. You may file medical expenses for yourself, your spouse (if filing a joint tax return), and any other person you claim as a dependent on your federal income tax return.

The Medical Expense Reimbursement Account allows you to use tax-free money to pay for almost all medical expenses incurred by you and your family that are not already covered by an insurance policy. While everyone has such expenses, the attractiveness of the reimbursement account depends upon the amount of such expenses you and your dependents pay out-of-pocket each year. You may use the account for reimbursement of your co-payments, co-insurance and deductible amounts on dental and vision care not covered by insurance, prescription drugs, the costs of some elective procedures, and a host of other expenses. A complete list is available in IRS Publication 502, or log onto the Payflex website for a listing.

Medical Expenses that are NOT ELIGIBLE:

The following items are ***not*** eligible for reimbursement under the Medical Expense Reimbursement Account:

- **Over the Counter Medicines are no longer eligible effective January 1, 2011**
- Premiums for health insurance coverage such as major medical, dental, vision, cancer, life, accidental death, disability, or hospital indemnity insurance
- Health club dues or exercise programs for services not related to a particular medical condition □ Nonessential cosmetic surgery
- Bleaching or other forms of whitening of teeth or cosmetic dentistry
- Diaper service
- Funeral expenses
- Household help
- Advance reimbursement of future or projected medical expenses
- Expenses incurred in a prior plan year and paid during the current plan year
- Medical expenses claimed on your tax return
- Marriage and family counseling
- Massage Therapy to reduce stress or improve general help (it is only eligible if prescribed by a physician for a specific illness, injury, trauma or condition and is accompanied by a letter of medical necessity)

Over the Counter Medicines (OTC)

Effective January 1, 2011 over-the-counter drugs will no longer be reimbursable under the health flexible spending account (FSA), unless the drugs are prescribed by a physician.

Dependent Care Program Details

The Dependent Care Reimbursement Account (for child care) is another of the tax saving options available to The University of Tennessee employees through the Flexible Benefits Plan. Dependent Care expenses make up a significant part of many family budgets. The tax free Dependent Care Reimbursement Account lets you use tax free dollars to pay for such care if it is necessary to allow you to work and, if you are married, to allow your spouse to work or attend school full-time. (If married, both spouses must be employed unless your spouse is a full-time student for at least five months during the year, or mentally or physically disabled and unable to provide self-care.)

Dependent Care Contribution Limits

Depending upon your circumstances, you can contribute up to $5,000 a year into your Dependent Day Care Reimbursement Account. If you file your income taxes as "head of household," "single" or "married, filing jointly" you may put the full $5,000 a year into your account. If you are married but file a separate federal income tax return, you may deposit a maximum of $2,500 to your Dependent Day Care Reimbursement Account.

Dependent Care Expenses

In order to qualify as **eligible** expenses, the amounts you spend on dependent day care must meet the following IRS rules:

- You may be reimbursed for charges for day care services either inside or outside your home for eligible dependents under the age of 13. Services must be for the physical care of the child and must not be provided by a spouse or dependent.
- You may be reimbursed for charges for the care of a dependent adult or child who is mentally or physically incapable of self care. To be eligible, services may not be provided by a spouse or dependent and the eligible dependent must regularly spend at least eight hours per day in your household.
- If you use the Dependent Care Reimbursement Account to pay for day care or claim the Child or Dependent Care Tax Credit, you will need to complete Form 2441 when you complete your 1040 tax return (or Schedule 2 for a 1040A tax return).

Dependent Care Expenses that are Not Eligible

The following items are ***not*** eligible for reimbursement under the Dependent Care Reimbursement Account:

- Days you and your spouse are not working – including sick leave, vacation days, or breaks in semesters – or days when you do not meet the eligibility requirements
- Care provided by your children who are under the age of 19 or by anyone you claim as a dependent on your federal income tax return
- Transportation, education, clothing, or entertainment
- Baby-sitting for social events
- Any additional costs for educational workshops or camps offered by day care centers or schools
- Overnight camps are generally not allowed, unless the expenses can be divided by the camp into daytime and nighttime portions
- Kindergarten tuition payments

OTHER ITEMS TO CONSIDER

Retirement Benefits – There will be no impact on your retirement benefits. Retirement contributions and calculations of retirement benefits will be made on the basis of your gross salary.

Maximum amount deferrable under the University's deferred compensation program – Participation in the flexible benefits program will not have an impact on your deferred income limitations for the 403(b) and 401(k) plans, or 457 plans.

Social Security Benefits – Your social security benefits are based on your social security gross wages, and the Flexible Benefits Plan reduces those wages by the amount of your reimbursement account reductions. Social Security benefits are based on your social security earnings averaged over most of your working lifetime. If you elect to participate in the Flexible Benefits Plan, your social security earnings will be less and you may receive a smaller social security benefit when you retire. This only applies, however, if your reduced salary is less than the social security wage base. The reduction due to reimbursement accounts could be substantial if you participated in the plan for a number of years and elected the maximum reduction allowed by law.

WHAT HAPPENS IF I END MY ACCOUNT DUE TO A LIFE CHANGING EVENT

If you choose to end an account due to a life changing event, your flex plan will be shut down as of the date you request (This date must be within 30 days of the life changing event). You will then have 90 days from the date your account is shut down to submit claims for expenses incurred prior to the end date of your account.

WHAT HAPPENS IF I GO ON LEAVE OF ABSENCE WITHOUT PAY, CHANGE TO TEMPORARY, RETIRE, OR OTHERWISE TERMINATE EMPLOYMENT

If you go on leave of absence without pay, change to term, retire, or otherwise terminate your employment, your flex plan will be shut down as of the date you terminate or are placed on leave. You will have 90 days to submit claims for expenses incurred prior to the leave, retirement, or termination date. In the event of your death, your beneficiary or estate may be reimbursed for expenses incurred prior to your death. Claims for those expenses may be filed through April 30th of the following year. An employee returning from a Leave of Absence will not automatically be reenrolled in a reimbursement account program. The employee must request re-enrollment and complete a new enrollment form within the first 30 days after returning

IMPORTANT REMINDERS

- Even if you had participation in the reimbursement accounts this or any other year, <u>you must</u> re-enroll.

- Canceled checks, credit/debit card receipts, and cash register receipts cannot be used as proof of medical or dependent care service.

- Receipts which only show balance forward, received on account, or payment on account cannot be used. Date of service must be shown.

- The service must have been rendered during the calendar year of the plan. You can only carry over a $500.00 balance in a medical flex plan into the next year.

- Expense reimbursement requests for prior year expenses must be filed by April 30 of the current year for reimbursement.

- Employees participating in the Dependent Care Reimbursement Account are required by the Internal Revenue Service to complete Part III of Form 2441 or Schedule 2 on your income tax return to claim the exclusion. Expenses reimbursed through this Flexible Benefits Program may not be used as tax credits or deductions on your annual federal income tax return.

- Care should be taken to submit each expense only once.