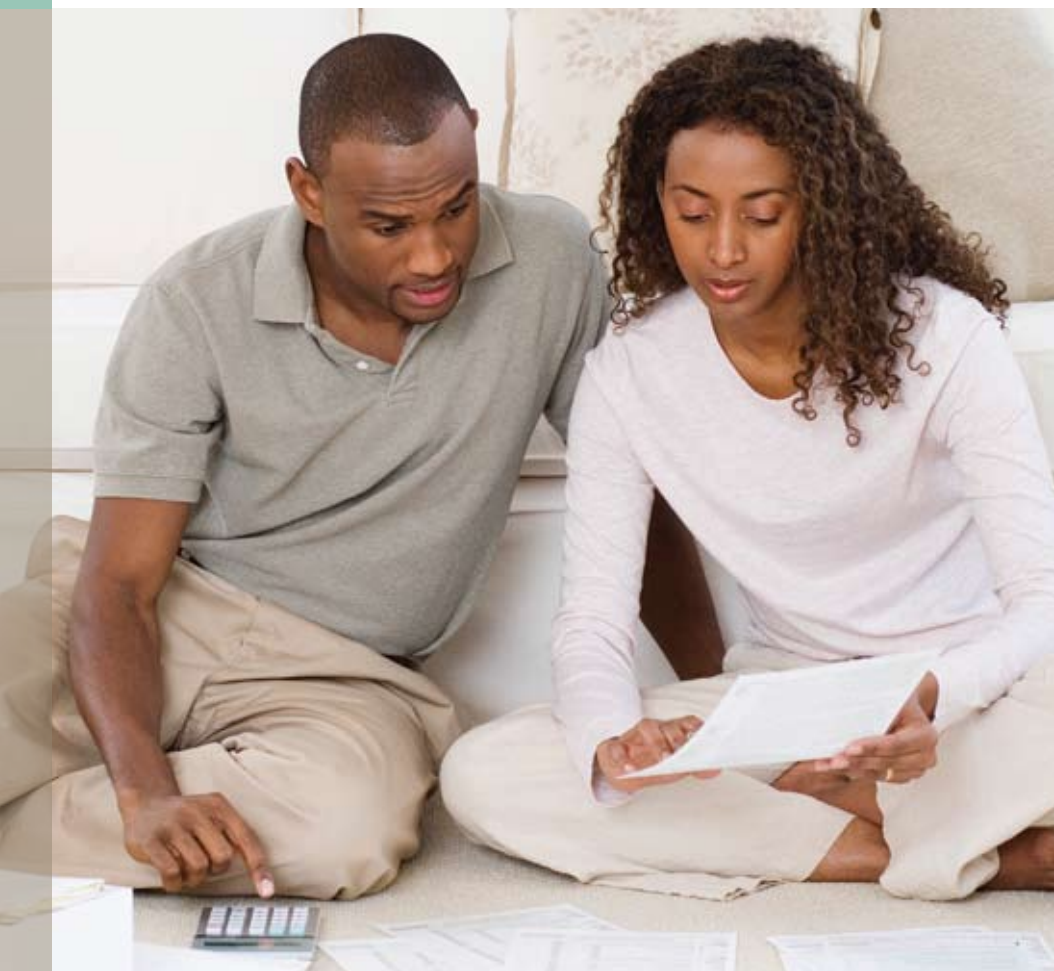




Your Health Care FSA

A Flexible Spending Account for Medical Expenses





The Easy Way to Save for Your Health and Medical Expenses

Even the healthiest of families can have routine medical expenses that add up each year – including copays, prescriptions, new glasses and dental costs. So if you know you'll have certain costs each year, why not save that money in a Flexible Spending Account – and save on your taxes as well?

What is an FSA?

Think about a Flexible Spending Account as a personal savings account you use just for health care expenses. You decide how much you'll need for the coming year and set aside that amount in your FSA to use as needed. The bonus? Any amount you contribute and use from your FSA actually saves you money because it reduces your taxable income.

With a Health Care FSA, you can:

- Plan ahead for your health care expenses
- Use easy payroll deduction to fund your FSA
- Reduce your taxable income so you save on taxes
- Have money on hand for your health and medical needs

Frequently Asked Questions

About Health Care FSAs

Q. What's the advantage of an FSA?

Planning and saving for your medical expenses is always an advantage – but a Health Care FSA lets you do even more. Having your estimated expenses deducted from your paycheck before any taxes are taken out means you can also save money on taxes.

Q. What types of expenses qualify?

You can use your Health Care FSA to pay for health plan expenses or certain expenses not covered by your health plan benefits. You can view a complete list of qualified expenses at BCBST.com, but typically, it includes:

- Deductibles
- Copays
- Coinsurance
- Dental and vision care
- Glasses, contact lenses, braces and hearing aids
- Prescription drugs
- Approved over-the-counter medications

Q. How much should I contribute to my FSA?

With an FSA, it's important to estimate and contribute only what you think you'll need for the coming year. Start by reviewing your health care expenses for the past two years. Then use these figures as a guide to decide what you may need for next year. Your Personal Health Statement in BlueAccess on BCBST.com can also help estimate costs for you or your family members.

Q. Do FSA funds rollover at the end of the year?

No, and that's why it's important to estimate carefully and use your Health Care FSA funds by the end of the year. The IRS has attached a "use it or lose it" condition to all FSAs.

Q. Can I change my contribution amount during the year?

Typically no. If you have a qualifying event or family status change, such as a marriage, divorce, birth or adoption, change of job, or loss of a covered dependent, you can change your election amount.



How FSAs work... and how you save

Using a Health Care FSA is simple.

1. Decide how much money you want to set aside to cover your health care and medical expenses for the coming year.
2. Have your employer withhold an equal portion of that amount from each paycheck, deducting it from your earnings on a pre-tax basis.
3. Use your FSA funds throughout the year to pay for qualified health care or medical expenses.
4. Make sure your FSA funds are used by the end of the year to avoid forfeiting any money.

Using pre-tax dollars to fund your Health Care FSA reduces your federal income tax, your FICA tax, and if applicable, your state income tax – giving you more spendable income, as well.

Pay by automatic reimbursement or debit card

If your Health Care FSA includes automatic reimbursement, you just pay upfront for health care services and receive an automated reimbursement check from your FSA. Another option is to pay upfront and then submit claim forms and receipts for reimbursement, using Health Care FSA claim forms located at BCBST.com.

Or, if your Health Care FSA plan includes a debit card, determined by your employer, you can use the card to pay upfront whenever qualified medical services are received, as long as you have FSA funds available.

All three methods are easy ways to manage your FSA spending and account balance. You can check your FSA balance, view your Personal Health Statement and claim activity anytime online using BlueAccess on BCBST.com.

Here's How You Save With an FSA

Consider John, who knows he'll spend at least \$3,850 next year on health care costs for himself and his covered family members, including all copays, deductibles, out-of-pocket drug costs, eyeglasses, contact lenses, well-child checkups, braces and a hearing aid. Here's how he can save with a Health Care FSA:

HOW JOHN SAVES	With an FSA (paying pre-tax)	Without an FSA (paying after-tax)
John's Annual Earnings	\$ 30,000.00	\$ 30,000.00
John's Pre-Tax Contribution	<u>3,850.00</u>	_____
John's Taxable Income	\$ 26,150.00	\$ 30,000.00
How John is Taxed*	<u>6,537.50</u>	<u>7,500.00</u>
John's Take-Home Pay	\$ 19,612.50	\$ 22,500.00
John's Health Care Costs	_____	<u>3,850.00</u>
John's Spendable Income	\$ 19,612.50	\$ 18,650.00
JOHN'S SAVINGS	\$ 962.50	

*Based on a 25% tax rate (includes federal, state and Social Security/FICA)

In both cases, John spends the same \$3,850 on health care costs. But see how setting aside the \$3,850 in an FSA on a pre-tax basis actually saves him \$962 as compared to just spending the \$3,850 on his own throughout the year.

For More Information

For a complete list of qualifying expenses for your Health Care FSA, talk to your tax advisor or visit BCBST.com where you can also find additional details and FSA claim forms. If you have specific questions about your FSA from BlueCross BlueShield of Tennessee, your Consumer Coach is ready to help. Just call 1-800-527-9206 or e-mail ConsumerCoach@BCBST.com for assistance.



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bcbst.com

801 Pine Street
Chattanooga, TN 37402

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