

Health Care Spending Account

With HealthNow, everyone benefits.

Eligible Expenses

Eligible expenses are amounts incurred for the diagnosis, cure, mitigation, treatment or prevention of disease or for the purpose of affecting any body structure or function. Provided all Internal Revenue Service "IRS" provisions are met, eligible health care expenses include:

- | Charges applied to your health plan's deductible, co-payments, or coinsurance;
- | Charges exceeding plan limitations (i.e. visit maximums, frequency limits, lifetime limitations); and
- | Some services not covered by your health plan (i.e. hearing aids, radial keratotomy and medical supplies).

Eligible Claimants

You are able to make a claim for yourself and individuals who meet the definition of a dependent in Sec. 152 of the IRS Code. The Code defines an eligible dependent as:

- | Your dependent children,
- | Your spouse, and
- | A dependent who is physically or mentally incapable of caring for himself/herself.

Maximum Election

Your annual maximum contribution is limited to the amount established by your employer. You are free to elect any contribution amount up to that maximum. Your entire annual elected amount is available on the first day of the Plan Year.

Effect on your Annual Income

Your Federal Income Tax, Social Security and Medicare Tax withholdings will be reduced. Since your federal taxable income will be reduced by the amount of your contributions, you will take home more of your pay. Your own tax savings may vary - consult your financial or tax consultant.



Example of the Effect of a Health Care Spending Account on your Annual Income

Assume two single employees have the same salary. One employee elects to direct \$1,000 into their Health Care Spending Account.

Employee 1 enrolled in the Health Care Spending Account and reduced their taxable income by estimated health care costs of \$1,000.		Employee 2 waived their participation in the Health Care Spending Account and is taxed on their entire income.	
Employee W-2 Income	\$35,000.	Employee W-2 Income	\$35,000.
Pre-tax Health Care election of \$38.46 per pay (26 pays per year)	-\$1,000.	Pre-tax Health Care election	\$0.
Adjusted Employee W-2 Income	\$34,000.	Adjusted Employee W-2 Income	\$35,000.
Federal Tax on \$34,000.	-\$6,453.	Federal Tax on \$35,000.	-\$6,766.
Social Security and Medicare Tax withholding on \$34,000.	-\$2,601.	Social Security and Medicare Tax withholding on \$35,000.	-\$2,678.
Post-tax benefit contribution	\$0.	Post-tax benefit contribution	-\$1,000.
Take-home pay after contributions and taxes	\$24,946.	Take-home pay after contributions and taxes	\$24,556.
Increase in take-home pay after contributions and withholdings	\$390.	Increase in take-home pay after contributions and withholdings	\$0.

Examples are hypothetical and do not reflect state, city or local taxes. Estimated Federal Tax based on semi-monthly payroll with 1 withholding allowance. Assumes 7.65% for Social Security and Medicare Tax withholding.

Claims Reimbursement Process

HealthNow Administrative Services (HNAS) has been contracted to process your account. Once you have incurred an eligible health



care expense, simply complete the claim form, attach the receipt for services and a copy of your plan's Explanation of Benefits "EOB", if applicable, and submit to HNAS. Payments for covered expenses are mailed to your home. Claims can be submitted at any time but must be received by HNAS within three months after the end of your group's Plan Year. Claim forms are available from your Plan Administrator.

Claims can be submitted at any time but must be received by HNAS within **three months** after the end of your group's Plan Year.

Examples of Eligible Expenses

In addition to expenses not reimbursed by your health coverage, the following items are examples of commonly incurred expenses. There are stipulations on eligibility of some expenses. Expenses must be substantiated and meet IRS requirements for reimbursement. The IRS is the final determiner of eligible dependents and expenses.

Reimbursable Expenses		Non-Reimbursable Expenses
<ul style="list-style-type: none"> • Abortion • Acupuncture • Alcoholism/Drug Addiction Treatment • Ambulance • Artificial Limb • Artificial Teeth • Breast Reconstruction Surgery • Birth Control Pills • Braille Books and Magazines • Capital Expenses • Chiropractic Treatment • Christian Science Practitioner • Crutches • Dental Treatment • Diagnostic Devices • Disabled Dependent Care Expenses • Eyeglasses, Contact Lenses • Eye Surgery • Fertility Enhancement • Guide Dog or Other Guide Animal • Hearing Aids • Home Care 	<ul style="list-style-type: none"> • Hospital Services • Laboratory/X-ray Fees • Lead-Based Paint Removal • Nursing Home • Nursing Services • Organ Transplant and Donor Expenses • Medical Supplies • Oxygen • Prescription drugs • Prosthesis • Psychoanalysis and Psychiatric Care • Special Education • Special Home for the Mentally Retarded • Sterilization • Stop-Smoking Programs • Vasectomy • Weight-Loss Program prescribed by a physician for a covered illness • Wheelchair • Wig 	<ul style="list-style-type: none"> • Babysitting, Childcare, and Nursing Services for a Normal, Healthy Baby • Controlled Substances • Cosmetic Surgery • Dancing Lessons • Diaper Service • Electrolysis or Hair Removal • Funeral Expenses • Future Medical Care • Hair Transplant • Health Club Dues • Household Help • Insurance Premiums • Loss of earnings • Maternity Clothes • Medicines and Drugs From Other Countries • Over the Counter medicine* • Personal Use Items • Swimming Lessons • Teeth Whitening • Veterinary Fees • Weight-Loss Program not prescribed by a physician for a covered illness

*A special note about Over-The-Counter (OTC) drugs and medical supplies: Effective 1/1/2011, over-the-counter medications are no longer an eligible expense under a Health Care Reimbursement Account, unless accompanied by a prescription from a physician. Medical supplies continue to be eligible as long as the supply is used for medical care that is for the diagnosis, cure, mitigation, treatment, prevention of disease, or for the purpose of affecting any structure or function of the body. Some expenses must be recommended by a physician in order to qualify for reimbursement. Examples of commonly used items follow:

Reimbursable Expenses	Non-Reimbursable Expenses
<p>Supplies</p> <ul style="list-style-type: none"> • Contact Lens Solution • Bandages • Band-Aids • Thermometers • Medical Gloves • Glucometer • Adult Diapers • Arch Supports 	<ul style="list-style-type: none"> • Food replacement • Vitamins for general health • Toothbrush, floss • Lip gloss • Dietary Supplements • Breast pump • Hygiene Products • Hair Growth or Removal Products

Important Information about Health Care Spending Accounts

This program offers a unique opportunity to reduce your taxable income. Therefore the IRS places some important restrictions on its use. The IRS is the final determiner of eligible dependents and expenses. Please be aware of the following provisions before you make your benefit election:

- Use it or lose it. It is important that you calculate your contribution carefully. Money left in your account at the close of the Plan Year submission period will be forfeited.
- Elections cannot be changed. Your election can be changed during the annual Open Enrollment or if you experience an approved "Change in Family Status". A "Change in Family Status" is defined as marriage or divorce, death of a spouse or dependent, birth or adoption of a dependent, or termination of your employment or your spouse's employment.
- Elections may reduce your Social Security benefit. Your contributions are not subject to Social Security withholding, therefore your Social Security contribution is lower. This reduction in taxable income may result in a reduced Social Security benefit.
- Your election may have tax implications later. If you are reimbursed for an expense under the Health Care Spending Account, it cannot be claimed as an income tax deduction.

Election Worksheet

Now that you have decided to participate in this plan, the following chart may help you calculate your estimated expenses for the coming plan year based on the current year's expenditures and anticipated changes.

Types of Qualified Expenses		Expenses for Current Year	Estimated Expenses for Coming Year
1	Plan deductibles, coinsurance and co-pays	\$ per year	\$ per year
2	Charges in excess of plan maximums e.g. chiropractic, preventive care, psychotherapy	\$ per year	\$ per year
3	Vision expenses	\$ per year	\$ per year
4	Dental expenses	\$ per year	\$ per year
5	Hearing services and hearing aids	\$ per year	\$ per year
6	Medical expenses not covered by the benefit plan but a qualified expense under Code Section 125	\$ per year	\$ per year
7	Qualified medical supplies	\$ per year	\$ per year
8	Add rows 1 through 7 for your total withholding for the plan year	\$ per year	\$ per year
9	Based on your calculations, estimate your annual withholding amount for the coming year	\$	
10	Divide row 9 by the number of pay periods in the year for your Health Care Spending election amount per pay period	\$	

Once you have calculated your election for the Health Care Spending Account, transfer your election amount to the Compensation Reduction Agreement. Please remember to sign and date the form.

If you have questions about your Health Care Spending Account, contact your Plan Administrator or call HNAS at (877) 804-4629.