

# 2011 Employer Guide to Personal Spending Accounts





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*Your choices. Your advantages. Your role.*

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## Personal Spending Accounts

*Are they right for your organization and your workers?*

Personal spending accounts offer terrific advantages for your workers. They can help workers budget and save for major and everyday healthcare and/or dependent care costs ... and best of all, they offer tax benefits that typically keep more money in your workers' pockets. Because workers manage the funds in the accounts themselves, personal spending accounts can also encourage more informed decisions when it comes to choosing cost-effective care.

### How they work

Personal spending accounts let workers use pre-tax dollars for eligible medical care expenses. They are financial accounts that offer a way for workers to pay for healthcare expenses not reimbursed by their health plan. Depending on the type of account, it may be funded by the worker, the employer, or both. The money is typically contributed pre-tax, and withdrawals are always income tax free if used for eligible medical expenses. In addition, dependent care Flexible Spending Accounts allow workers to use pre-tax dollars for eligible dependent care expenses.

Certain personal spending accounts offer attractive ways to save for future medical expenses, too. By allowing balances to accumulate year after year, earning interest or providing investment opportunities, workers can watch their accounts grow.

### Three kinds of accounts

Concordia Plan Services provides easy access to three types of personal spending accounts: Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), and Health Savings Accounts (HSAs), all of which are managed by SelectAccount<sup>®</sup>, an account administrator that works with Blue Cross Blue Shield of Minnesota. Each type of tax-advantaged account has different features and benefits, but all provide tax advantages that can help workers deal with rising medical costs.

### Employer advantages

FSAs, HRAs, and HSAs allow employers to reduce their payroll tax liability, while providing a valued, money-saving benefit to workers. FSAs and HRAs offer cash flow advantages, too. Employers do not need to fund these accounts until claims are received and paid. The IRS "use it or lose it" regulation for FSAs means that workers' unused funds go back to the employer annually. As the employer, you may use these forfeitures to offset your administrative fees or allocate them to participants. And with HRAs, because employers—not workers—own the accounts, the unused balance can stay with the employer if a worker leaves the organization.

# Personal Spending Accounts at a Glance

	<b>Health Savings Account (HSA)</b>	<b>Health Reimbursement Arrangement (HRA)</b>	<b>Flexible Spending Account (FSA)</b>
<b>What is it?</b>	An HSA is a tax-advantaged account used to pay qualified medical expenses for the account holder and dependents.	An HRA is a tax-advantaged account established and funded entirely by the employer for its workers' and their dependents' qualified health plan expenses.	An FSA is a tax-advantaged account usually offered as part of a cafeteria plan. Funds can be used toward qualified medical or dependent care expenses on the basis of the type of FSA.
<b>What's eligible?</b>	Medical expenses according to Internal Revenue Code Section 213(d).	Health plan eligible expenses.	<b>Medical FSA</b> Medical expenses according to Internal Revenue Code Section 213(d). <b>Dependent care FSA</b> Dependent care expenses according to Internal Revenue Code Section 125.
<b>Who owns the account?</b>	<b>Worker</b>	<b>Employer</b>	<b>Employer</b>
<b>Concordia Health Plan Option compatibility/requirement?</b>	<b>Only</b> Option HDHP.	<b>Most</b> Options A-E and Option HDHP.	<b>Any</b> Can be used with any health plan option.
<b>Who contributes?</b>	<b>Employer and/or worker</b> The account can be funded by the employer and the worker.	<b>Employer only</b> The account is funded entirely by the employer.	<b>Generally, worker</b> This account is primarily funded by the worker, although the employer can contribute as well.
<b>Balance rolls over?</b>	<b>Yes</b> The balance does roll over from year to year.	<b>Employer decision</b> Money in the account at the end of the year can be rolled over if the employer designates.	<b>No</b> If money is not used by the end of the year, the remaining dollars are forfeited to the employer.
<b>Portable?</b>	<b>Yes</b> The account is fully portable.	<b>Employer decision</b> Employer can allow terminated workers to spend remaining funds in the account.	<b>No</b> The account is not portable if the worker leaves the organization.
<b>Investment opportunities?</b>	<b>Yes</b> Account earns interest. Workers also may invest a portion of their account dollars when the balance reaches \$1,000. Investment options are provided through SelectAccount and their investment advisors.	<b>No</b>	<b>No</b>
<b>Who holds the funds until a claim is received?</b>	<b>Administrator</b> (e.g., SelectAccount)	<b>Employer</b>	<b>Employer</b>

You may also contact the SelectAccount Employer Spending Account Help Line to learn more about HSAs, HRAs, medical FSAs, and dependent care FSAs. Call SelectAccount toll-free 866-309-8916 for assistance.

# What you Need to Know about HSAs

A Health Savings Account (HSA) is a tax-advantaged account owned by the worker that can be used to pay for qualified healthcare expenses. An HSA also has the added benefit of long-term savings potential for workers to use for future medical expenses.

## Who is eligible

The IRS mandates that HSAs can only be used with a qualified high-deductible health plan; therefore, only those workers enrolled in Option HDHP can open and contribute to an HSA. In addition, to be eligible to contribute to an HSA the worker cannot be:

- Covered by any other health insurance (including a spouse's medical FSA) except another qualified high-deductible plan.
- Entitled to or enrolled in Medicare. (You are entitled to Medicare if you have filed to receive Medicare Part A and your name is in the system or your application has been processed.)
- Claimed as a dependent on someone else's tax return.

## Limits to HSA contributions

There is no minimum amount that must be contributed. However, the IRS does set maximum dollar amounts that can be put into an HSA. This amount is subject to change each year; for 2011 the government-imposed maximum contributions are \$3,050 for individuals and \$6,150 for families.

Anyone over age 55 or who will be 55 before the end of the year may contribute extra money, or "catch-up" contributions. The maximum catch-up contribution is \$1,000 for 2011.

## How an HSA is funded

- Employers and/or workers can contribute to an HSA. Employers will need to set up a cafeteria plan in order for workers to fund all or a portion of their HSA through pre-tax payroll contributions. Payroll deductions can be changed at any time.
- Employer contributions must be equitable and meet either non-discrimination testing under Section 125 or IRS Comparability rules.
- Post-tax contributions can be made through a one-time payment or periodic contributions. Workers who contribute post-tax dollars can deduct those amounts from their income when they file their tax returns.
- HSAs may also be funded through a tax-free rollover from another HSA or medical savings account (MSA). A one-time HRA rollover may be possible in limited circumstances. A one-time IRA rollover is available, but unlike other rollovers, the IRA rollover counts toward the worker's annual maximum contribution for the year in which the funds are transferred.

## IRS reporting

HSA contributions and withdrawals are both reportable transactions, regardless of whether they are made by the worker or the employer. Workers must report their HSA contributions and distributions on their tax returns. SelectAccount will report contributions to the IRS with form 5498SA and distributions to the IRS with form 1099SA.

## New for 2011

Required by Federal Law, beginning January 1, 2011, over-the-counter medications will require a prescription or physician's letter of medical necessity in order to be eligible for HSA reimbursement.

## HSA investment options

A key advantage of the HSA is that it lets workers build their accounts for future medical expenses—through interest and investment earnings. In a lot of ways, an HSA is like a 403(b) plan for health expenses. The worker maintains ownership of the account, even if he/she retires or changes employers. And, like a 403(b) plan, the interest or other earnings added to the account balance are not taxable. Money accumulates tax-free in the account until it is used to pay for eligible medical expenses.

SelectAccount offers three investment choices: Thrift Saver, Basic Saver, and Premium Saver. The amount of interest on deposits in the base account depends on the amount of funds in the account and the type of account you select for your workers.

## HSA annual interest rates\*

Balance in account	Thrift Saver	Basic Saver	Premium Saver
\$0 to \$499	0.05%	0.25%	0.50%
\$500 to \$999	0.05%	0.25%	0.75%
\$1,000 to \$1,499	0.05%	0.60%	1.25%
\$1,500 to \$2,499	0.05%	0.60%	1.25%
\$2,500 to \$4,999	0.10%	0.60%	1.35%
\$5,000 to \$9,999	0.25%	1.00%	1.75%
\$10,000 to \$24,999	0.40%	1.35%	2.35%
\$25,000 to \$49,999	0.60%	1.90%	2.80%
\$50,000 or greater	0.80%	2.15%	3.00%

\* **Interest rates may change at any time without notice**

## Investment accounts

When account balances reach certain thresholds, account holders have the option to invest a portion of their account dollars. There are two kinds of investment accounts available, depending on the HSA balance:

- **Basic investment account.** Once deposits in the base account exceed \$1,000, the account holder can open a Basic Investment Account with a choice of 15 no-load mutual funds. The cost is \$1.50 per month, which is deducted from the account holder's investment account balance.
- **Self-directed investment account.** When the Basic Investment Account balance exceeds \$10,000, the account holder can set up a Self-directed Investment Account for an additional \$100 per year charge. Standard transaction fees also apply.



# What you Need to Know about HRAs

A Health Reimbursement Arrangement (HRA) is essentially a “promise to pay” by the employer. The employer designates a specified amount of tax-free dollars to reimburse workers for their eligible medical plan expenses. Employers do not deposit money into an account up front. Instead, claims are paid as they’re incurred. Workers can access the entire annual amount at any time during the year, if necessary. If workers do not use all of the dollars allocated to their accounts by the end of the year, the employer can choose whether the balance will roll over into the next year’s account or will remain with the employer. Employers can also choose whether the account remains with terminated workers or with the employer.

## Who is eligible

Employers can establish an HRA at SelectAccount (or another vendor) and offer it to all workers enrolled in Options A-E and Option HDHP.

## Workers hired mid-year

The employer can choose to allocate funds to the account in 1/12 increments (the prorated amount will be added to the worker’s account beginning with the month in which they are enrolled in the CHP), fund the HRA at 100%, or designate a specific dollar amount.

## Workers’ status changes

If the employer funds a greater amount for workers with “family” status, and the worker moves from “individual” to “family” status during the year, the additional funds will be prorated in 1/12 increments and added to the account beginning with the month the change was reported. If the worker’s status changes from “family” to “individual,” the employer’s funds will not change until the following year.

## New HRA Flexibility

New for 2011—employers offering an HRA through SelectAccount now have more flexibility in their reimbursement choices. They may choose to fund all or a portion of their workers’ out-of-pocket expenses through an HRA, using one of the following funding methods.

### *HRA pays first*

When the HRA pays first, the employer fixes the HRA balance up to a certain amount. As eligible medical plan expenses are incurred, the HRA pays with the employer funds until they are depleted. Then the worker pays out of pocket for deductible, coinsurance, and copay expenses (if applicable).

### *Worker pays first*

When the worker pays first, he/she pays out of pocket\* as medical plan expenses are incurred—until a preset amount has been paid. When this amount is reached, the HRA pays eligible expenses until the balance is depleted. The worker then pays out of pocket for deductible, coinsurance, and copay expenses (if applicable).

### *Shared payments*

In this funding method, the employer and worker share medical costs until the HRA funds are depleted.\* The employer sets a reimbursement percentage (50, 80, or 100%) as a way of sharing the cost of eligible expenses. As expenses are incurred the HRA reimburses the worker according to the cost-sharing level until the balance is depleted.

\*If the HRA will reimburse after the worker pays a certain amount or percentage out-of-pocket, employers may choose to allow an FSA to pay first and the HRA to pay second.

## Claims reimbursement

By requesting reimbursement from an HRA, a worker is filing a claim from his/her employer’s commitment to pay. A worker can request tax-free reimbursement for eligible medical plan expenses up to 15 months after the end of the plan year.

## HRA Reimbursement Options

Employers may also choose to include or exclude prescription drug expenses and to reimburse for deductible expenses only or for deductible, copays and coinsurance, in addition to choosing a funding method. See the insert *HRA Flexibility and Funding Options* for details.

# What you Need to Know about FSAs

A Flexible Spending Account (FSA) is a tax-advantaged account that can be offered with any health plan. An FSA allows workers to set aside pre-tax dollars to use toward qualified health-care or dependent care expenses. Employers can contribute to the account as well.

## Two types of FSAs

There are two types of FSAs—medical and dependent care. These accounts are completely separate. Money from one account cannot be used to pay for the other account's expenses, nor can funds be transferred between the two. A dependent care FSA can be used for eligible day care and elder care services; a medical FSA is used for qualified healthcare expenses.

## How an FSA is funded

Employers must set up a cafeteria plan in order to gain the tax-advantaged status. Workers contribute to their FSA through payroll deduction. It is important that they carefully estimate their potential expenses for the upcoming plan year because generally the contribution amount cannot be changed during the year and funds left over at year-end are forfeited to the employer. Mid-year changes are only allowed when the worker has a status change.

- **Medical FSA.** The medical FSA is an unfunded account. This means workers are reimbursed for eligible medical expenses up to their annual election, even if that amount has not yet been contributed.
- **Dependent care FSA.** This is a funded account, so workers must have contributed the money via payroll deduction before they are reimbursed for eligible expenses.

## Do FSAs work with other spending accounts?

- A dependent care FSA can be offered with any plan or other spending account.
- A medical FSA can be offered with an HRA. With the “worker pays first” or “shared payment” methods (see page 5), employers can allow the FSA to pay first and the HRA will pay second. For employers who have an FSA with the “HRA pays first” method, the FSA will pay second. FSAs can also be used for items not eligible under the HRA.
- A post-deductible medical FSA can be offered with an HSA. Until the health plan deductible has been satisfied, only vision and dental expenses can be reimbursed under the post-deductible medical FSA. Once the health plan deductible has been satisfied, the FSA can be used for all qualified healthcare expenses.

## Workers' status changes

Generally the amount of money contributed to an FSA must be decided when the worker enrolls, either during open enrollment or when he/she first becomes eligible (e.g., as a new hire). However, the IRS defines certain “qualifying events,” such as marriage, divorce, birth or adoption, death of a dependent, or significant change in a spouse's employment or health coverage, as opportunities for workers to change their contributions. Contact SelectAccount at 866-309-8916 for more information on qualifying events.

## Unused FSA dollars

Money in an FSA is “use it or lose it” for workers. Funds can be used by workers for expenses incurred during the plan year, and submitted up to three months after the end of the year. Any money left in the FSA at the end of this period reverts back to the employer.

## New for 2011

Required by Federal Law, beginning January 1, 2011, over-the-counter medications will require a prescription or physician's letter of medical necessity in order to be eligible for FSA reimbursement.

# Why use SelectAccount to Administer your Accounts?

SelectAccount can administer your personal spending accounts at a discounted price and with great efficiency. SelectAccount is the right choice for many reasons:

## Health plan integration

Because Blue Cross and SelectAccount are closely integrated, your workers get such benefits as automatic claims submission to the account administrator through “crossover”; a single website where they can manage claims and accounts; and one easy number to call when they need help.

## Competitive prices

SelectAccount has low fees and competitive interest rates for account holders. There are no hidden transaction fees. What’s more, because of the size of the Concordia Health Plan membership and our positive working relationship with Blue Cross, you benefit from SelectAccount’s:

- **Preferred pricing.** Competitive administrative fees that are substantially lower than the industry standard.
- **Little to no plan set-up fees (typically charged by other administrators).** SelectAccount has even waived some of the set-up fees associated with administering your account.

## Paper-free convenience

SelectAccount’s special crossover feature automatically transmits claim information from the healthcare system to the personal spending account. With crossover, funds are electronically withdrawn from the worker’s account to reimburse his/her portion of a healthcare claim or prescription. No paperwork, no hassle. Your workers will be automatically enrolled in crossover. They may opt out if they wish. (Please note: crossover is not available for HMO participants or for workers who elect debit cards.) For more information about crossover, see opposite page.

## Experience

SelectAccount knows account administration. SelectAccount is one of the top administrators of medical banking services in the nation, with one of the largest customer call centers. Spanish language services are also available.

## Investments

HSAs from SelectAccount have competitive interest rates. And once an HSA reaches a minimum of \$1,000, the worker can invest the amount over \$1,000 into highly rated mutual funds.

## Debit card

Debit cards are available with HSAs and FSAs only. If you choose to offer them, your workers can request a debit card to use when paying for eligible medical expenses. (Debit cards are not available with crossover.) For more information about debit cards, see opposite page.

## Convenient Access for Employers and Workers

Workers can sign in to the secure myBlueCross website to access their personal account information. Here they can view claims, see account balances, look up eligible expenses, find details about how the account works, and more.

myBlueCross online member center:

[www.bluecrossmn.com/concordia](http://www.bluecrossmn.com/concordia)

Employers have access to a specialized SelectAccount Employer Spending Account Help Line at 866-309-8916. They can also find helpful information and resources at [www.SelectAccount.com](http://www.SelectAccount.com) under Forms and Materials/Employer Forms and Materials.

# Crossover or Debit Cards

Using a personal spending account can be simple, thanks to SelectAccount's automatic payment features. The Concordia Health Plan is automatically set up to offer all workers crossover (except for those enrolled in an HMO). But, as the employer, you can choose whether to also offer your workers the option of debit cards. (Debit cards are available only with HSAs and FSAs.) Both crossover and debit cards have special advantages and considerations.

## Crossover

The crossover feature means that claim information is submitted directly to SelectAccount without needing to file a claim or proof of expense. Workers pay their portion of their health-care and prescription drug expenses, then automatically receive a check or direct deposit from the money in their account—no paperwork involved. Crossover is available with an HSA, HRA, or medical FSA (provided the accounts are with SelectAccount); however, it is not available with HMO Options.

### Most medical expenses pass through

Most medical expenses pass through for reimbursement, including office visit copays, payments toward the deductible, ER copays, coinsurance, and prescription drug copays. (For HRAs, employers can choose to exclude prescription drug charges or to only reimburse the deductible or a portion thereof. If excluded, these charges will not pass through the account and will remain the worker's responsibility.)

There are, however, some expenses that will not pass through for reimbursement. Those that need to be manually submitted include behavioral health (except for Option HDHP), dental, and vision expenses.

### Exceptions

Medical crossover is not appropriate when the worker or dependents have other medical plan coverage (private or Medicare), the worker wants to control when funds are used, or the worker has a debit card for the account. When crossover is not appropriate for an individual worker, it is the responsibility of the worker to actively opt out of crossover.

## Debit cards

Debit cards are optional; employers have the choice to offer a debit card to their workers. Once the employer selects the debit card option, it is up to the individual worker whether he/she requests the card. Debit cards can be used with HSAs and FSAs only. A debit card cannot be offered with an HRA.

Using the card can offer real-time access to account dollars at the point of service or point of sale. Workers will simply swipe the card—if the eligible expense amount doesn't exceed available funds, expenses will be paid from the account. Workers should keep their receipts because they will be required to provide third-party documentation after purchase.

### You decide who pays fees

If you choose to offer the debit card option, debit card fees apply. You decide whether you will pay the fees on behalf of the worker or whether the worker will cover the fees. Employers may elect to pay fees either monthly or annually. However, if workers are paying the fees, they will pay an annual fee up front that is deducted from their account. (This fee is non-refundable.) For details about fees, see page 15.

### Providers must have compatible systems

For debit card transactions to clear, medical merchants must have a point-of-sale system that identifies eligible transactions. If this is not the case, claims will have to be submitted manually, along with proof that the expense meets IRS guidelines.

## Crossover

For workers, crossover eliminates the paperwork associated with submitting a manual claim and can speed up reimbursement. It also offers lower administrative fees. However, a higher manual administrative fee applies if more than 50 percent of participants opt out of or are not eligible for crossover. Workers are automatically enrolled in crossover. When offered, workers who use debit cards must opt out of crossover.

## Debit cards

Crossover is not available with debit cards. However, debit cards can be used to pay for both expenses that would have paid through crossover and those that would have had to be manually submitted, such as dental and vision expenses.

## Premium Only Cafeteria Plan

If you do not wish to offer pre-tax FSAs or HSAs, but want to offer a pre-tax premium-only plan to collect the workers' share of health plan rates, you can set up a Cafeteria Plan just for this purpose. Call Concordia Plan Services at 888-927-7526, or visit [www.ConcordiaPlans.org](http://www.ConcordiaPlans.org), and click on "Cafeteria Plan" under Resources/Manuals for information.

# Administering a Personal Spending Account: Your Responsibilities

Details can be found in your Administrator's Guide, which you will receive from SelectAccount after they have processed your Plan Design Guide. However, here are a few key steps.

## Step 1: Establish a cafeteria plan

If you want to collect pre-tax payroll contributions from your workers for FSA or HSA accounts, you will need a Cafeteria Plan document. SelectAccount offers a Plan Document for this purpose. Once established, workers contribute to their personal spending accounts through payroll deduction, which reduces their taxable income. Call the SelectAccount Employer Spending Account Help Line at 866-309-8916 for information about setting up a cafeteria plan.

## Step 2: Complete and return a Plan Design Guide

This document helps you finalize the details of your personal spending account. The Plan Design Guide also provides SelectAccount with information to set up and administer your account: employer information; takeover information; personal spending account administrative guidelines (e.g., minimum and maximum amounts, debit cards, rollover); and enrollment, payroll, and reimbursement information.

## Step 3: Educate your workers about the benefits and features of their new account

To educate your workers about their new health plan and account, Concordia Plan Services offers brochures for each type of personal spending account.

Notecards designed to help workers understand how their health plan option and spending account can work together and plan for their healthcare expenses are also available for some Options. Call Concordia Plan Services to request these materials.

## Step 4: Distribute, collect, and return worker forms

SelectAccount will email worker enrollment materials to you. Please print and provide applications and payroll deduction election forms to your workers. Submit completed forms as directed by SelectAccount. Even if only the employer is contributing to an account, SelectAccount must receive an application for all participating workers.

## Step 5: Submit payments

After setting up payroll deductions from workers' paychecks, submit worker and employer HSA contributions to SelectAccount after each pay period.

FSA and HRA funds need only be sent when claims are incurred. However, SelectAccount will still need payroll information for the FSA. Payment can be made via an ACH (automated clearing house) withdrawal with notification from SelectAccount. If you are paying monthly administration fees and/or debit card fees for workers, you will be billed as elected in the Plan Design Guide.

## Step 6: Keep SelectAccount up to date

Notify SelectAccount of terminations and/or new account applications and if employer contact information changes. Simply call the SelectAccount Employer Spending Account Help Line at 866-309-8916.

# What to Expect from SelectAccount

**Administrator's guide and implementation packet.** You will receive these helpful items once your Plan Design Guide has been processed.

**Confirmation.** For HSAs and FSAs, you will receive confirmation that your enrollment information has been received. (SelectAccount will work with Concordia Plan Services for HRA enrollment).

**Monthly participant activity report.** This report lists all participants for the plan year and includes account summary information, such as election amounts, deposits, payments, and account balances. Your first report will be sent at the beginning of the plan year after your enrollment information has been entered, and then monthly.

**Weekly employee payment information (FSA and HRA).** This is your notification of the claim reimbursement withdrawals that occurred for the week (e.g., checks written, ACH funds drawn). The payment amounts are shown by account type, as well as by plan year.

**Employee FSA forfeiture information (FSA only).** This report shows all participants with year-to-date information regarding amounts forfeited, where applicable. Data include employer contributions, worker election amounts, plan year deposits, plan year payments, forfeited employer contribution amounts, and forfeited amounts for workers. You will receive this report at the end of the plan year run-out period (the "run-out" period is three months after the plan year ends, during which workers can still submit claims for expenses incurred during the plan year).

**Monthly administration billing fee.** Each month, you will receive a summary of outstanding administration fee invoices with billing information that will include fee type, billing period, invoice number, amount billed, amount credited, amount due, and due date. Your summary will display the information by participant.

**Plan Documents.** These legal documents detail your agreement to offer a personal spending account to your workers and/or any agreement to contribute to the account(s). Keep these documents on file for your reference, and make them available to workers as required.

**Processing of transaction-related forms and requests.** SelectAccount will process workers' debit card applications, crossover opt-out requests, and authorization for (or changes to) direct deposit.

## Your administrator, your choice

You may use SelectAccount to administer any or all of these personal spending accounts, but there is no obligation to do so. You are free to use any specialty benefit service provider, investment company, or financial institution, including the Lutheran Church Extension Fund (LCEF), which offers an HSA product. However, crossover is available only with SelectAccount. If another vendor is selected, workers will be responsible for submitting claims.





## Deadlines for 2011 Enrollment

### By October 8, 2010

Employers must return Concordia Health Plan Option Election Forms to Concordia Plan Services if they are newly electing or changing Concordia Health Plan Option(s) or personal spending account elections.

### By October 15, 2010

Concordia Plan Services will send a Plan Design Guide to employers electing to offer a personal spending account through SelectAccount (i.e., only to employers opening a new personal spending account or changing their personal spending account election for 2011).

### By October 22, 2010

Plan Design Guides must be returned to Concordia Plan Services. Renewal notices should be sent directly to SelectAccount.

- Employers who are enrolling in a new personal spending account or switching to a different type of personal spending account must return the completed Plan Design Guide to Concordia Plan Services.
- Employers who are renewing their current personal spending account election(s) do not have to fill out a new Plan Design Guide but will need to return their renewal notice for HRAs and FSAs to SelectAccount.
- Any employer who is renewing an existing personal spending account and enrolling in a new account must send in the renewal notice to SelectAccount and a Plan Design Guide to Concordia Plan Services.

### By November 5, 2010

SelectAccount will send you a welcome e-mail with next steps, as well as worker election forms for you to print and distribute to your workers. If you would like to receive enrollment packets in the mail, they can be requested by calling the SelectAccount Employer Spending Account Help Line at 866-309-8916. Allow 10 business days for delivery of packets.

### By November 19, 2010

Employers must collect and send all completed worker personal spending account enrollment forms to SelectAccount.

# Renewing with SelectAccount: What you need to do

If you currently have personal spending accounts with SelectAccount, this is what will happen during the renewal process.

- Four months prior to your renewal date, SelectAccount sends you a renewal letter along with a change form and fee worksheet.
- Return your renewal request form to SelectAccount two months prior to your renewal date unless otherwise indicated below. Or call the Employer Spending Account Help Line at 866-309-8916 to request a disband form if you do not wish to renew your account.

## For FSAs

- If you are renewing, send workers' elections for the new plan year to SelectAccount by November 19. SelectAccount will set up the accounts.
- You start sending payroll information and SelectAccount starts processing claims in the new plan year.

## For HRAs

- If you are renewing, SelectAccount will work with Concordia Plan Services to update your HRA eligibility information.
- SelectAccount sets up worker accounts and starts processing claims in the new plan year.

## For HSAs

- If there are no changes, do nothing and the HSA will renew automatically.
- If you send notice that you are disbanding your group plan, worker accounts will be converted to individual accounts. Workers will be advised of the change to individual accounts and notified of account options and fees.
- If you elect to change your investment choice (Thrift Saver, Basic Saver, or Premium Saver), SelectAccount will make changes effective on January 1.

## Resources for questions

Both Concordia Plan Services and SelectAccount representatives are available to help you with your account administration and answer any questions you may have.

### Concordia Plan Services

Employers with general questions about personal spending accounts and Concordia Health Plan Options should contact Concordia Plan Services at 888-927-7526. Hours are: 7 a.m. to 5 p.m. Central Time, Monday through Friday.

### Concordia Plan Services Employer Relations Specialists and Benefit Consultants

For more detailed information on how personal spending accounts can work with the Concordia Health Plan Options, call the Employer Relations Specialists at 888-927-7526 and dial extension 6807 to speak with Diane Mottert or 6806 to speak with Jason Williams. If you need further assistance, you will be directed to your Concordia Plan Services Benefit Consultant.

### SelectAccount Employer Spending Account Help Line

Employers seeking more detailed information on personal spending accounts should call the SelectAccount Employer Spending Account Help Line at 866-309-8916. Hours are: 8 a.m. to 4:30 p.m. Central Time, Monday through Friday.

## If you don't return your renewal request (for HRAs or FSAs)

- On January 31, a letter goes out notifying you that your group will be disbanded due to no renewal paperwork.
- On March 31, the group will be disbanded if no response is received by SelectAccount.

# Eligible and ineligible expenses

The following is a partial list of eligible and ineligible expenses for HSAs and FSAs. (With an HRA, workers are reimbursed only for eligible medical expenses under their health plan; for example, copays, coinsurance, and deductible amounts.)

In general, federal income tax deductions allowed for medical expenses according to Internal Revenue Code Section 213(d) may be reimbursed through an HSA or FSA. For a complete list of eligible expenses, please refer to IRS Publication 502. Or, call the SelectAccount Employer Spending Account Help Line at 866-309-8916.

## Eligible medical expenses

Abdominal supports  
Acupuncture  
Alcoholism treatment  
Ambulance  
Arch supports  
Artificial limbs  
Asthma treatments/nebulizer  
Bariatric surgery  
Blood pressure monitoring devices  
Body scans (e.g., MRI, CAT Scan)  
Brace (e.g., knee, back, wrist)  
Braille books/magazines  
Childbirth/lamaze classes (related to birth)  
Chiropractic treatments (e.g., adjustments)  
Circumcision  
Coinsurance amounts (health, dental or vision)  
Contact lenses (corrective)  
Convalescent home (for medical treatment only)  
Copayments (health, dental or vision)  
C-PAP machine and supplies  
Crutches (purchase or rental)  
Deductibles (health, dental or vision)  
Dental procedures, non-cosmetic (e.g., X-rays, fillings, extractions, crowns, implants)  
Dentures/denture adhesive  
Diabetic supplies (e.g., insulin, syringe, monitor, insulin pump)  
Drug addiction/substance abuse treatment  
Eye exams  
Eye surgery (laser or radial keratotomy)  
Eyeglasses—prescription sunglasses/safety glasses  
Eyeglasses—reading  
Flu shots  
Fluoridation treatment at a dental office  
Gambling problem treatment  
Hearing tests, aids and batteries  
Home health care  
Hormone replacement therapy (HRT)  
Immunizations  
Individual counseling (counseling must be performed to alleviate or prevent a physical or mental defect or illness)  
Lab tests  
Long Term Care Premiums  
Medical alert bracelet or necklace  
Medical records charges  
Mental health treatment facility  
Occlusal guards to prevent teeth grinding  
Oral contraceptives  
Oral surgery  
Organ transplant (including donor's expenses)  
Orthodontics  
Orthopedic inserts  
Oxygen and oxygen equipment  
Patient responsibilities under the medical, dental or vision plan solely because of the plan's deductible, copay (coinsurance), reasonable and customary charge limit or benefit limit  
Patterning exercises  
Physical exams (routine, medical, well-child)  
Physical therapy  
Prenatal/postnatal exams  
Prescription drugs (prescription drugs imported from other countries are not covered)  
Preventive care screenings (e.g., mammogram, colonoscopy)  
Prosthesis  
Psychiatric care  
Shipping and handling fees for eligible expenses  
Sleep study  
Smoking cessation medications/programs  
Speech therapy  
Support braces/wraps (e.g., wrist, knee, elbow)  
Surgical stockings (e.g., Jobst stockings)  
Taxes paid for eligible expenses  
Telephone/television equipment for hearing-impaired persons



Transportation expenses relative to health care (corresponding medical documentation requested)

Vaccinations

Varicose veins, treatment of

Walkers/canes (purchase or rental)

Wheelchair (purchase or rental)

X-rays

### **Ineligible medical expenses**

Bottled water

Cleaning service

Cosmetic surgery and procedures

Cosmetics, hygiene products and similar items

Dancing lessons

Diapers or diaper service

Diet foods

Ear or body piercing

Electrolysis or hair removal

Feminine hygiene products (e.g., tampons)

Funeral, cremation or burial expenses

Hair colorants

Hair transplants

Household help

Illegal operations and treatments

Illegally obtained drugs

Late fees (e.g., for late payment of bills for medical services)

Lodging while attending a medical conference

Marijuana or other controlled substances in violation of federal law

Marriage counseling

Maternity clothes

Meals

Medical newsletter

Missed appointment fees

New parent/newborn child care classes

Non-prescription eyeglasses, sunglasses, safety glasses or contacts

Prepayments

Prescription drug discount program fees

Prescription drugs and medicines imported from other countries

Special foods/beverage

Sports training and activities

Surrogate expenses

Swimming lessons

Swimming pool and maintenance

Tanning salons and equipment

Teeth whitening

Transportation costs of disabled individual commuting to and from work

Travel for general health improvement

Veneers

Vision discount program fees

**Over-the-counter expenses are only eligible with a prescription or physician's letter of medical necessity.**

# Personal spending account administrative pricing

	Administrative Fees/Participant/Month		Who Pays
	2011 Crossover Rate <sup>(1)</sup>	2011 Manual Rate <sup>(1)</sup>	
FSA—Medical Standalone	\$3.00	\$4.25	Employer
FSA—Dependent Care Standalone	\$3.00	\$4.25	Employer
FSA—Medical and Dependent Care	\$3.00	\$4.25	Employer
HRA Standalone	\$3.00	\$4.25	Employer
HRA with FSA	\$3.00	\$4.25	Employer
HSA—Thrift Saver Standalone	\$0	\$0	Either <sup>(2)</sup>
HSA—Basic Saver Standalone	\$1.25	\$2.50	Either <sup>(2)</sup>
HSA—Premium Saver Standalone	\$2.50	\$3.75	Either <sup>(2)</sup>
HSA with FSA	\$3.00	\$4.25	Employer
Investment Account Fee—Basic or Brokerage	\$1.50	\$1.50	Worker
<b>Other Fees/Annual</b>			
Brokerage Investment Account Annual Fee	\$100 per participant investor		Worker

(1) Crossover delivers lower administrative fees. The manual administrative fee applies if more than 50% of participants opt out of crossover for debit cards or other reasons.

(2) The most common practice is for employers to pay these fees.

## Other Fees/Participant/Month

Debit Card—1st Card	\$1.00
Debit Card—Additional Cards	\$0.50

**Note:** Debit cards are available with HSAs and FSAs. (Employers who offer an HSA and FSA together can offer a “stacked” debit card or a debit card for only the HSA or only the FSA. Call SelectAccount to discuss the best option for you.) Debit cards are not available with HRAs. (Employers who offer an HRA and FSA together can make available an FSA-only debit card for their workers.) Either the employer or worker can pay the debit card fees (most commonly the worker pays).

## Other Fees/Annual

SelectAccount Cafeteria Plan Document Administration (for FSA or HSA pre-tax payroll deductions and Concordia Health Plan contribution rate payroll deductions)	\$150 annual employer fee
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