

# New York City Flexible Spending Accounts (FSA) Program

*Health Care Flexible Spending Account  
(HCFSA)*



*Dependent Care Assistance Program  
(DeCAP)*



*MSC Health Benefits Buy-Out Waiver*



*MSC Premium Conversion*



## Plan Year 2009

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This brochure briefly reviews and broadly describes the highlights of the Flexible Spending Accounts Program which falls under Internal Revenue Code (IRC) Section 125. The material contained in this brochure is provided for informational purposes only and does not constitute a representation by the City of New York as to results and benefits which might actually be received by any individual. All actions are wholly governed by applicable law and regulations. The IRC and Regulations are subject to change and may affect determinations made with respect to the Program. The burden of proof is on the participant in the HCFSA/DeCAP Programs to show that each medical and dependent care expense is reimbursable under the Program, as well as being reimbursable under all laws (including the IRC).

# Flexible Spending Accounts (FSA) Program

## What is the FSA Program?

The FSA Program is permissible under Internal Revenue Code (IRC) Section 125 and consists of several programs. They are:

- the Health Care Flexible Spending Account (HCFSA) Program,
- the Dependent Care Assistance Program (DeCAP),
- the Medical Spending Conversion (MSC) Health Benefits Buy-Out Waiver Program, and
- the Medical Spending Conversion (MSC) Premium Conversion Program.

You are encouraged to read this brochure carefully. It covers the major features of the FSA Program's applicable rules and regulations. Also included in this brochure are HCFSA and DeCAP worksheets (Pages 13 and 14), which may assist you with the calculation of your contributions to each FSA Program for Plan Year 2009.

**HCFSA** is a way to help pay for eligible out-of-pocket medical expenses, while reducing your taxable income.

**Note:** HCFSA is covered under the Health Insurance Portability and Accountability Act (HIPAA). This means that the FSA Program is required by law to safeguard a participant's and eligible health care recipient's personal information, including Protected Health Information (PHI). In order for us to release personal information to third parties, the participant and eligible health care recipients must complete the HIPAA PHI Authorization Section on the FSA Enrollment/Change Form.

HIPAA PHI  
Authorization  
Section  
applies to  
HCFSA only

**DeCAP** is a way to help pay for expenses to care for your child(ren) or other eligible dependents, thereby reducing your taxable income, while you and your spouse work or attend school full-time.

By enrolling in HCFSA and/or DeCAP, not only do you plan for anticipated health and dependent care expenses, contributions are deducted from your paycheck before federal and Social Security taxes are calculated, thereby reducing your gross income for federal and Social Security tax purposes.

**MSC Health Benefits Buy-Out Waiver Program** enables eligible employees who have non-City group health coverage to waive their City health benefits in return for an annual cash incentive payment.

**MSC Premium Conversion Program** enables eligible employees to pay for their health plan contributions on a before-tax basis, thereby reducing their gross income for federal and Social Security tax purposes.

If you are eligible, you may participate in all of the programs. Participation in any of the programs, except the MSC Premium Conversion Program, is on a voluntary basis.

## Who is Eligible to Enroll?

- Employees covered by the Citywide contract or the Management Benefits Fund, and New York City health insurance.
- Agencies include Mayoralty, Housing Authority, School Construction Authority, Department of Education (DOE), Health and Hospitals Corporation, City University of New York and Off-Track Betting. Employees of cultural institutions, libraries and DOE Charter Schools may be offered an FSA Program through their individual institutions; please contact your benefits/personnel office for further information.

# Health Care Flexible Spending Account and Dependent Care Assistance Program

## *HCFSA and DeCAP*

### *How the FSA Program Works*

1. Carefully estimate what your eligible health care expenses and/or dependent care expenses will be for the Plan Year. This amount will go into your HCFSA and/or DeCAP account, respectively.
2. Your annual election(s) will be taken out of your paycheck on a pre-tax basis through payroll deductions during the Plan Year.
3. When you submit a claim for your eligible health care expenses and/or dependent care expenses you will receive reimbursement from your HCFSA and/or DeCAP account.

### *HCFSA and DeCAP Period of Coverage*

For Plan Year 2009, the period of coverage is from January 1, 2009 through December 31, 2009 and the HCFSA Grace Period for Plan Year 2009 is from January 1, 2010 through March 15, 2010.

### *HCFSA and DeCAP Enrollment*

#### *When do employees enroll?*

During the annual Open Enrollment Period, September 22 - November 14, 2008. Re-enrollment is required each year during the annual Open Enrollment Period.

#### *When do new employees enroll?*

Within 30 days after becoming eligible for City health benefits. Your annual election will be prorated over the remaining pay periods.

#### *When is the effective date?*

Either (a) January 1st, (b) the date of your first payroll deduction, or (c) the date of your Qualifying Event, if you become eligible after the beginning of the Plan Year.

#### *How do employees enroll?*

1. Obtain an FSA Program Enrollment/Change Form by:
  - printing a form from the FSA Web site at [nyc.gov/olr](http://nyc.gov/olr),
  - contacting your agency's benefits/personnel office, or
  - calling the FSA Administrative Office's automated helpline at 212-306-7760 to receive a form by regular mail or fax.
2. Submit your completed form(s) to:  
Tax-Favored Benefits Program - FSA 2009  
40 Rector Street, 3rd Floor  
New York, NY 10006-1705

#### *How do employees get assistance?*

Call the helpline number at 212-306-7760 from 9 a.m. to 4 p.m., Monday – Friday. In-house counseling is available by appointment only. You may also send questions via e-mail through the FSA Web site at [nyc.gov/olr](http://nyc.gov/olr).

Open Enrollment Period is September 22 through November 14, 2008

## HCFSA and DeCAP Contribution Limits

Annual contribution - A before-tax salary reduction (includes an annual administrative fee of \$48 per program)		
Program	Minimum	Maximum
HCFSA	\$260	\$5,000*
DeCAP	\$500	\$5,000*

\* The maximum may be less in certain cases, e.g., highly compensated employees. Employees will be notified of the new maximum allowable amount.

If your child will become age 13 during the Plan Year, your DeCAP goal amount can only be calculated for the period when your child is under age 13.

### DeCAP Additional Contribution Information

- The \$5,000 maximum is reduced to \$2,500 if you are married and file a separate federal income tax return (unless you are legally separated), or by the amount your spouse is contributing to a separate DeCAP through his/her employer.
- If you or your spouse earn less than \$5,000 a year, your maximum benefit is limited to the lesser of the two incomes.
- If your spouse is a full-time student at an educational institution during at least five months of the Plan Year or is incapable of self-care during any month, your maximum contribution is \$250 per month for one dependent and \$500 per month for two or more dependents.

### HCFSA Grace Period

**For HCFSA only**, there is a Grace Period offered following the end of a Plan Year. During this Grace Period, you may submit claims for eligible medical expenses incurred from January 1, 2010 through March 15, 2010 using the remaining balance in your Plan Year 2009 account, if any.

**Example:** At the end of Plan Year 2009, you have \$300 remaining in your HCFSA account. You may submit claims for eligible medical expenses incurred from January 1, 2010 through March 15, 2010 to be reimbursed with the remaining \$300 in your account from Plan Year 2009.

A Grace Period is NOT available for DeCAP. All DeCAP claims must be submitted for services incurred during the Plan Year (January 1 - December 31).

### Claims Run-Out Period

#### HCFSA

In the event that you are unable to submit HCFSA claims by the end of the Plan Year or accompanying Grace Period, a Claims Run-Out Period is provided following the close of the Grace Period, during which you may submit claims for services performed during the previous Plan Year or accompanying Grace Period.

#### HCFSA Claims Run-Out Period

Plan Year:	January 1, 2009 – December 31, 2009
Grace Period:	January 1, 2010 – March 15, 2010
Claims Run-Out Period:	March 16, 2010 – May 31, 2010

After May 31, 2010, you will forfeit any money remaining in HCFSA for Plan Year 2009.

#### DeCAP

In the event that you are unable to submit DeCAP claims by the end of the Plan Year, a Claims Run-Out Period is provided following the close of the Plan Year, during which you may submit claims for services performed during the previous Plan Year.

#### DeCAP Claims Run-Out Period

Plan Year:	January 1, 2009 – December 31, 2009
Claims Run-Out Period:	January 1, 2010 – February 27, 2010

After February 27, 2010, you will forfeit any money remaining in DeCAP for Plan Year 2009.

## ***“Use or Lose” Rule (Forfeiture Rule)***

Federal regulations require that you use the entire amount you allocate to your HCFSA and/or DeCAP account during the Plan Year (or by the end of the HCFSA Grace Period for HCFSA claims), or forfeit the unused balance. Therefore, before making your annual allocation, carefully consider what your eligible expenses might be. Use the worksheets on Pages 13 and 14 of this brochure to calculate your HCFSA and/or DeCAP annual allocations.

If you overestimate your expenses and contribute more to your account than your actual expenses, or if you do not submit approved claims equaling in total your annual allocation prior to the end of the applicable Claims Run-Out Period, you will permanently forfeit any unused amounts remaining in either FSA account.

## ***Eligible Health and Dependent Care Expense Requirements***

### ***HCFSA***

#### ***Eligible Health Care Expense***

This is an expense which has been incurred by the participant and/or eligible health care recipient for qualifying health care provided during the Plan Year and/or Grace Period and which is eligible for reimbursement under the terms of HCFSA. Certain over-the-counter drugs are also eligible.

The expense must be incurred for an eligible medical service, which is:

- for you or an eligible health care recipient;
- permissible by the IRS (See IRS Publication 502\*);
- medically necessary;
- not reimbursable by your health insurance and/or Welfare Fund; and
- not for the payment of health insurance premiums.

*\*Please note that Publication 502 is only used for reference.*

#### ***Eligible Health Care Recipient***

A person who is eligible to be covered by the participant’s employer’s health plan and eligible to be included as a dependent on one’s federal tax return and is either:

- the participant;
- the participant’s spouse; or
- the participant’s eligible dependent.

### ***DeCAP***

#### ***Eligible Employment-Related Dependent Care Expense***

This is a dependent care service which is related to the care of your dependent(s) (including household services related to such care), and which is performed within or outside your home while you and your spouse are at work or attend school full-time. (See IRS Publication 503 for a list of covered expenses.)

***Qualifying Day Care Center:*** Licensed nursery schools, preschools, day camps (not overnight camps), and child care centers, which provide day care. The day care center must:

- comply with all applicable laws and regulations of the state, city, town, or village in which it is located;
- provide care for more than six individuals (other than individuals who reside at the day care center);
- receive a fee, payment, or grant for any of the individuals to whom it provides services (whether facility is profit or non-profit); and
- not be primarily for the purpose of education.

*If you participate in both HCFSA and DeCAP, the amount you contribute to one account **cannot** be transferred to the other.*

*Domestic partners are not eligible health care recipients under HCFSA.*

*Under DeCAP, you may only claim expenses if you are the custodial parent of a dependent child. You may not be reimbursed for any child support.*

### ***Qualifying Caregiver***

A person performing eligible employment-related services who is:

- not your dependent or anyone you can claim as a dependent;
- not your spouse; or
- not your child or your spouse's child unless he/she is 19 years old at the close of the Plan Year in which the services were provided.

### ***Dependent Care Recipient***

You may receive benefits for any dependent claimed on your tax return who is:

- your child (son, daughter, stepson, or stepdaughter) who is under age 13; or
- physically or mentally incapable of caring for himself/herself,\* such as your handicapped child of any age or an incapacitated spouse who regularly spends at least eight hours a day in your home.

\* Expenses for disabled dependents over age 13 are only eligible if the primary purpose is to provide care for the disabled dependent while you and your spouse work or attend school full-time. In addition, the type of care provided for a disabled dependent must be specific to the dependent's disability.

### ***Mid-Year Changes***

In order to process an HCFSA and/or DeCAP mid-year change, you must notify the FSA Administrative Office by submitting an Enrollment/Change Form and a Qualifying Event Mid-Year Change Form with proper documentation within 30 days after the Qualifying Event. The definition of Qualifying Event is determined by the IRS.

### ***HCFSA***

You will be permitted to increase your annual contribution if you are adding new dependents.

You **cannot**, however, decrease or discontinue your HCFSA contribution for any reason during the Plan Year. In addition, under HCFSA, **you must participate for the entire Plan Year.**

### ***DeCAP***

You may increase, decrease, or terminate your annual allocation if you experience a mid-year Qualifying Event.

### ***Qualifying Events***

#### ***HCFSA***

***Qualifying Events include:***

1. becoming a newly eligible City employee;
2. marriage; or
3. birth or adoption of a child.

When you incur one or more of the above Qualifying Events, you may enroll in HCFSA or increase your annual contribution.

#### ***DeCAP***

***Qualifying Events include:***

1. start or termination of employment of participant or participant's spouse;
2. marriage, divorce or annulment;
3. birth or adoption of a child;

*Your dependents must be listed on your Enrollment/Change Form in order to receive HCFSA and/or DeCAP benefits for the Plan Year.*

*If, for any reason, you do not notify the FSA Administrative Office that you have a new dependent, then any claims submitted on behalf of such an unreported health or dependent care recipient will be denied.*

4. death of a spouse or dependent;
5. ineligibility of a dependent;
6. changing from part-time employment status to full-time, or vice-versa, by participant or participant's spouse; or
7. taking an unpaid leave of absence by participant or participant's spouse.

## ***Termination of Employment / Unpaid Leave of Absence***

### ***HCFSA***

If your employment is terminated, or you take an unpaid leave of absence, you can have the remainder of your deductions taken on a pre-tax basis from your last paycheck or prorated for the remaining paychecks. In order for the payroll deductions to be made, you must notify the FSA Administrative Office in writing **30 days** prior to your termination or unpaid leave of absence or prior to the cut-off date of your last paycheck.

If you fail to provide the required written notification, you **must** fully fund the remainder of your account with after-tax payments up to your annual contribution. The full amount in your account will still be available to you to pay claims for the remainder of the Plan Year and accompanying Grace Period.

**Department of Education Employees:** Please note that if your employment is terminated, or you take an unpaid leave of absence over the summer, you must notify the FSA Administrative Office in writing by the third week in May in order to have the remainder of your payroll deductions taken on a pre-tax basis from your June through August paychecks.

The FSA Administrative Office doesn't determine pay dates and cut-off dates for your payroll.

### ***DeCAP***

If the Qualifying Event is due to your termination or leave status, your participation in DeCAP will cease as of your termination date or the last day of your employment. You must notify the FSA Administrative Office in writing to terminate your payroll contributions. Any remaining balance in your account will still be available for reimbursement upon receipt of a valid claim incurred during the Plan Year as long as you and your spouse remain at work.

### ***Agency Transfer***

If you transfer agencies within the City or to a related City agency, you must notify the FSA Administrative Office at least **30 days** prior to your transfer in order to continue payroll deductions.

### ***Missed Payroll Deductions***

#### ***HCFSA***

If you miss any payroll deductions, you must contact the FSA Administrative Office in order to recalculate the amount of your payroll deductions.

#### ***DeCAP***

If, for any reason, deductions cannot be made from any paycheck, your annual contribution will be decreased by the amount of any missed payroll deductions. You will not be entitled to increase subsequent deductions to replace those missed. Therefore, it is important to notify the FSA Administrative Office if you are not experiencing payroll deductions.

*In the event of your death, any claims for services provided before your death must be submitted by your spouse, or your estate, and will be paid to same.*

## ***HCFSA Coverage Under COBRA***

At the end of the Plan Year in which you terminate employment, you and your eligible health care recipients may elect to continue HCFSA coverage under COBRA for the following Plan Year, provided you did not default payment in the year in which you terminated employment. Carefully consider the following before electing to continue HCFSA under COBRA:

- You will have to pay an annual 2% COBRA administrative fee in addition to the annual \$48 HCFSA administrative fee.
- There are no tax advantages to participating in HCFSA under COBRA because your HCFSA contribution is paid with after-tax dollars.
- Under COBRA, you cannot change or revoke your HCFSA election during the Plan Year.

## ***How HCFSA and DeCAP Affect Your Taxes***

Contributions to HCFSA and/or DeCAP are made through pre-tax payroll deductions; therefore, you do not pay federal income or Social Security (FICA) taxes on these contributions. This results in an increased take-home pay. The amount you contribute to HCFSA and/or DeCAP will be reflected on your Form W-2. HCFSA and/or DeCAP will not affect your state or city taxes; therefore, you must add back the amount listed under IRC 125 on your Form W-2 to your state/city gross wages when you are filing your state/city income taxes.

### ***HCFSA and Federal Itemized Deductions***

Any expenses paid or reimbursed under HCFSA cannot be taken into account when calculating your federal itemized deductions and vice-versa.

With HCFSA, you may obtain pre-tax benefits on medical expenses whether or not they exceed the federal itemized deduction minimum of 7.5%.

### ***DeCAP versus Federal Dependent Care Tax Credit***

Any expenses paid or reimbursed under DeCAP cannot be taken into account when calculating the Federal Dependent Care Tax Credit and vice-versa.

If you participate in DeCAP, and DeCAP covers all your dependent care expenses (or you contribute the maximum amount under DeCAP), then you are not eligible for the New York State tax credit for dependent care expenses.

### ***DeCAP vs. Federal Dependent Care Tax Credit: Differences in Tax Savings***

	<b>Maximum Benefit</b>	<b>Taxes</b>	<b>Reimbursement</b>
<b>DeCAP</b>	\$5,000, regardless of number of dependents	Reduces your taxable income	Immediate
<b>Federal Dependent Care Tax Credit</b>	\$3,000 for 1 dependent, \$6,000 for 2 or more dependents	Reduces your actual taxes	After filing tax return

While you may use HCFSA and federal itemized deductions, as well as DeCAP and the Federal Dependent Care Tax Credit, in the same year, you must be sure that:

- your medical itemized deductions and federal itemized deductions, as well as your eligible expenses for the Federal Dependent Care Tax Credit, are reduced by what you receive from HCFSA and/or DeCAP in 2009; and
- you do not claim the same expense more than once.

Your tax savings will vary based on these factors:  
 1. your income;  
 2. number of dependents;  
 3. your eligible expenses;  
 and  
 4. whether you pay FICA tax.

Visit the FSA Web site at [nyc.gov/olr](http://nyc.gov/olr) to access the on-line savings calculator to estimate your potential savings.

The following is an example of the HCFSA tax advantage based on the federal tax withholding table effective January 2008.

*Married employee earning \$60,000 declaring spouse with 2 dependents and filing jointly; HCFSA annual contribution of \$5,000 and employee incurs \$4,952 in reimbursable health care expenses;*

	<i>Before-Taxes</i>	<i>After-Taxes</i>
Gross Income	\$ 60,000	\$ 60,000
less Before-Tax Reduction for Health Care Expenses	(4,952)	-
less Administrative Fee	(48)	-
Adjusted Gross Income	<u>\$ 55,000</u>	<u>\$ 60,000</u>
Federal Income Tax	(4,173)	(4,923)
FICA (SS + Medicare)	(4,208)	(4,590)
After-Tax Cost of Health Care Expenses	-	(4,952)
Take-Home Pay	<u>\$ 46,619</u>	<u>\$ 45,535</u>
<b>HCFSA TAX SAVINGS \$1,084</b>		

The following is an example that depicts the difference between DeCAP and the Federal Dependent Care Tax Credit based on the federal tax withholding table effective January 2008.

*Married employee with a family income of \$70,000 with 1 dependent and filing jointly; DeCAP annual contribution of \$5,000 and employee incurs \$4,952 in reimbursable dependent care expenses;*

	<i>Before-Taxes</i>	<i>After-Taxes</i>
Gross Income	\$ 70,000	\$ 70,000
less Before-Tax Reduction for Dependent Care Expenses	(4,952)	-
less Administrative Fee	(48)	-
Adjusted Gross Income	<u>\$ 65,000</u>	<u>\$ 70,000</u>
Federal Income Tax	(6,198)	(6,945)
FICA (SS + Medicare)	(4,973)	(5,355)
After-Tax Cost of Dependent Care Expenses	-	(4,952)
Federal Tax Credit		600
State Tax Credit		120
Take-Home Pay	<u>\$ 53,829</u>	<u>\$ 53,465</u>
<b>DeCAP TAX SAVINGS \$364</b>		

The adjusted gross income amounts in the prior examples assume there are no other income adjustments. The projections made here are only estimates of federal tax information and should not be considered tax advice. Consult a tax advisor to review your own financial situation.

## *Filing Claims*

### *HCFSA*

To request reimbursement for all eligible health care expenses, complete an HCFSA Claims Form and provide proper documentation by:

- listing each expense and claimant separately on the Claims Form,
- indicating the appropriate Claim Period (Plan Year or Grace Period),
- attaching an Explanation of Benefits (EOB) statement from the health insurance carrier, regardless of whether they are covered or non-covered medical expenses, or from your Welfare Fund for dental, vision and/or hearing expenses, showing the unreimbursed balance,
- attaching copies of receipts or billing statements from the medical, dental, vision or hearing provider, and
- attaching a copy of the product box for over-the-counter drugs if receipt does not indicate the name of the drug.

**Submit all claims to your health insurance and/or Welfare Fund first, regardless of whether it is a covered expense.**

Receipts and billing statements must include:

- the name of the recipient for whom service was provided;
- the amount charged for each service; and
- the type of service and date of service.

**Note:** Health-related transportation expenses must be supported by documentation corresponding to the receipts or billing statements.

### *DeCAP*

To request reimbursement for dependent care expenses, complete a DeCAP Claims Form by:

- listing each expense and dependent separately on the Claims Form, and
- having the dependent care provider sign his/her name, and provide the address, and federal tax I.D. or Social Security number.

### *HCFSA and DeCAP Submission of Claims*

- Submit claims in a timely manner, monthly or every few months, to the FSA Administrative Office.
- Payment is issued on a monthly basis. Claims Forms must be **received** by the last day of the month to be processed for that month.
- There is no reimbursement of claims before service is actually provided.
- **For DeCAP only**, there is no reimbursement for expenses incurred while you and/or your spouse are not at work (e.g., sick leave, annual leave, maternity leave, summer vacation, etc.).

### *HCFSA and DeCAP Denial of Claims*

- If the FSA Administrative Office denies a claim, you will receive a denial letter stating the reason for denial.
- You may file a written appeal with the Appeals Panel within 30 days after your receipt of the denial notice.
- The Appeals Panel will review and make a decision on your claim within 60 days after receipt of your written notice for appeal.

*The total amount of expenses on an HCFSA Claims Form must be \$50 or greater, unless your account balance is less than \$50.*

*The date(s) of service on the Claims Form must match the date(s) of service on the EOB statement and the receipt or billing statement.*

*Receipts and billing statements are not needed for DeCAP; however, you should keep them for your records.*

## ***Reimbursement of Claims***

Claims are processed on a monthly basis. Reimbursement for claims processed during one month will be automatically deposited into the account you indicated on your FSA Enrollment/Change Form or Direct Deposit Form by the close of the following month. Or you may choose to have reimbursement checks sent to your address on file.

**HCFSA:** The full amount of your contribution allocation (less the \$48 annual administrative fee and any claims previously reimbursed) is available for reimbursement of eligible claims at any time during the Plan Year, regardless of the current balance in your account.

**DeCAP:** Claims will be reimbursed up to the current balance in your account, less the \$4 monthly (\$48 annual) administrative fee. If there are insufficient funds in your account to cover the expenses claimed, only that portion of your claim for which there are sufficient funds will be reimbursed. The balance will be carried over to the next month for payment. If a claim exceeds your balance at the end of the Plan Year, you will receive reimbursement exhausting your account.

## ***Account Statements***

### ***HCFSA***

You will receive a quarterly statement listing all monthly contributions to your account, processed claims, the administrative fee, and your available balance.

If you are receiving reimbursement through direct deposit, you will still receive a monthly claims payment statement indicating claims processed for that month and the amount of reimbursement issued.

### ***DeCAP***

You will receive a monthly statement listing your opening account balance, all contributions to your account, processed claims, the administrative fee, and your closing account balance.

After the Claims Run-Out Period, you will receive an annual statement for each program, which reflects the total amount contributed to, reimbursed, and forfeited from your account(s) for Plan Year 2009.

## ***Effects on Other Benefits***

### ***Social Security***

Social Security benefits at your retirement age may be slightly less, but the effect would be offset by the amount saved in taxes today. Please contact your financial advisor for more detailed information.

### ***Pension***

There will be no effect on your pension contributions or benefits.

### ***Deferred Compensation***

Participation in the Flexible Spending Accounts Program will have no effect on your participation in a 457, 401(k), Roth 401(k) or 403(b) plan.

*Payments will be made directly to you and not the service provider.*

*For DeCAP only, you must also attach Form 2441 Child Dependent Care Expenses to your Form 1040.*

*You must add back the amount listed as IRC 125 on your Form W-2 to your state/city gross wages.*



# HCFSFA Worksheet

*For Plan Year 2009 (January 1, 2009 - December 31, 2009)*

This worksheet is designed to assist you in the estimation of your health care expenses for the Plan Year 2009. When estimating your expenses, be conservative. Keep in mind the “Use or Lose” rule explained in this brochure.

<i>Health Care Expenses (Unreimbursed/unreimbursable by insurance)</i>	<i>Year 2008 Expenses</i>	<i>Projected Year 2009 Expenses</i>
Prescription medicines and insulin (those requiring a prescription by a doctor for their use by an individual)	_____	_____
Medical service fees (from doctors, dentists, surgeons, specialists, and other medical practitioners)	_____	_____
Special items (artificial limbs, false teeth, eye glasses, contact lenses, hearing aids, crutches, wheelchairs, etc.)	_____	_____
Certain over-the-counter drugs (for treatment or prevention of medical conditions)	_____	_____
Hospital service fees (inpatient care, lab work, therapy, nursing services, surgery, etc.)	_____	_____
Nursing home expenses (if the main reason for being there is to receive medical care)	_____	_____
Other medical expenses (refer to IRS Publication 502 for more information)	_____	_____
Administrative fee (\$4 per month/\$48 per Plan Year)	\$48.00	\$48.00
<b><i>Total Health Care Expenses</i></b>	_____	_____*

\* Enter this amount in Box A of Section D1 of the HCFSFA Contribution Section on the FSA Enrollment/Change Form.

**ELIGIBLE EXPENSES:** *Expenses generally eligible for reimbursement through HCFSFA include:*

<p><b>MEDICAL</b></p> <ul style="list-style-type: none"> <li>• Co-payments</li> <li>• Deductibles</li> <li>• Excess expenses (beyond plan limits)</li> <li>• Health-related transportation costs</li> <li>• Nursing home expenses (if the main reason for being there is to get medical care)</li> <li>• Certain over-the-counter drugs (must be submitted with itemized receipts)</li> <li>• Physical exams</li> <li>• Prescription drugs</li> <li>• Prescribed drugs for smoking cessation</li> <li>• Weight-loss programs for medical treatment of disease</li> </ul>	<p><b>HEARING</b></p> <ul style="list-style-type: none"> <li>• Examinations</li> <li>• Hearing aids and equipment</li> </ul> <p><b>DENTAL</b></p> <ul style="list-style-type: none"> <li>• All expenses except cosmetic dentistry</li> </ul> <p><b>VISION</b></p> <ul style="list-style-type: none"> <li>• Examinations</li> <li>• Frames</li> <li>• Prescription lenses</li> <li>• Prescription contacts</li> <li>• Lasik surgery</li> </ul>
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**INELIGIBLE EXPENSES:** *Expenses not eligible for reimbursement through HCFSFA include:*

- Alternative medicine
- Vitamins and supplements
- Nursing care for a healthy baby
- Expenses for care that is not medically necessary or for purely cosmetic reasons (male pattern baldness, teeth whitening, etc.)
- Expenses for your general health (even if following your doctor’s advice, including: travel, weight gain or loss programs, household help, social activity fees, etc.)
- Expenses for health club dues, gym dues, spa dues, even if it is recommended by a physician
- Premiums paid for coverage under any medical or long-term care insurance plan
- Toothpaste, toiletries, cosmetics, etc.
- Stock piling of over-the-counter (OTC) drugs

# DeCAP Worksheet

*For Plan Year 2009 (January 1, 2009 - December 31, 2009)*

This worksheet is designed to assist you in the estimation of your eligible employment-related dependent care expenses for the Plan Year 2009. When estimating your expenses, be conservative. Keep in mind the “*Use or Lose*” rule explained in this brochure.

<i>Dependent Care Expenses (Unreimbursed/unreimbursable by insurance)</i>	<i>Year 2008 Expenses</i>	<i>Projected Year 2009 Expenses</i>
Infant/toddler (baby-sitter inside or outside of your home)	_____	_____
Nursery school/preschool	_____	_____
Before-school and after-school care	_____	_____
Reporting days (child in school half a day)	_____	_____
School in-service days (child not in school)	_____	_____
School holidays	_____	_____
School vacation days	_____	_____
Day camp/summer camp (not overnight)	_____	_____
Housekeeper/cook/companion (if services provided are for a dependent who qualifies for dependent care)	_____	_____
Other dependent care expenses (refer to IRS Publication 503 for more information)	_____	_____
Administrative fee (\$4 per month/\$48 per Plan Year)	\$48.00	\$48.00
<b><i>Total Dependent Care Expenses</i></b>	_____	_____*

\* Enter this amount in Box A of Section C of the DeCAP Contribution Section on the FSA Enrollment/Change Form.

**INELIGIBLE EXPENSES:** *Expenses not eligible for reimbursement through DeCAP include:*

- Services provided by your spouse, by a child of yours under age 19 at the close of the Plan Year, or by a dependent whom you claim (or could claim) as an exemption for federal income tax purposes
- Kindergarten
- Nursing home or custodial care facility
- Overnight camp expenses
- Fees (activity, registration, insurance, transportation, etc.)
- Supplies (meals, books, diapers, clothing, etc.)
- Tuition expenses for schooling
- Expenses that you plan to claim under the Federal Dependent Care Tax Credit
- Expenses incurred while you and/or your spouse are not at work including sick leave, maternity leave and summer vacation (e.g., employees of Department of Education and CUNY who do not work during summer session)

# Medical Spending Conversion (MSC)

## Health Benefits Buy-Out Waiver Program

### How the Health Benefits Buy-Out Waiver Program Works

1. Before deciding to waive your City health benefits, make sure that your non-City group health coverage will meet your medical needs.
2. Complete the Health Benefits Application to waive your City health benefits and complete the MSC Form to receive the annual incentive payment. Submit the forms to your agency's human resources department or NYCAPS personnel for approval and signatures, and retain copies for your records.
3. You will receive the incentive payment semi-annually in your regular paycheck in June and December of the Plan Year.

### Highlights of the Health Benefits Buy-Out Waiver Program

#### Employees can waive health coverage if covered under:

- a spouse's/domestic partner's or parent(s)' employer-provided, non-City group health plan;
- a group health plan available through other employment; or
- Medicare Part A and Part B.

#### Exclusions

You are ineligible for participation in the Health Benefits Buy-Out Waiver Program if you are:

- waiving health coverage in order to be covered by a spouse who works for the City (or a City-related agency), who is covered through the City's Health Benefits Program;
- retired from the City of New York;
- covered by an individual direct payment health plan;
- covered by Medicaid; or
- on Worker's Compensation leave.

### Annual Incentive Payment

#### Incentive Benefit Periods

There are two incentive benefit periods per calendar year:

- January 1 through June 30; and
- July 1 through December 31.

#### Incentive Benefit Amount

- \$1,000 to employees with family health coverage who waive City health benefits
- \$500 to employees with individual health coverage who waive City health benefits

The incentive payment will be prorated for enrollment of less than six months by the number of days you are in the Health Benefits Buy-Out Waiver Program.

In domestic partner situations, the participant can only receive the \$500 individual incentive payment. However, if there is a family contract between the participant and his/her domestic partner and the domestic partner is, for tax purposes, a legal dependent of the participant, then the participant can receive the \$1,000 family incentive payment.

You are not eligible for participation in this program if you are enrolled only in Medicare Part D.

The Internal Revenue Service does not permit retroactive participation to a prior Plan Year.

These payments will be taxable to the recipient

## ***Enrollment in the Health Benefits Buy-Out Waiver Program***

### ***When do employees enroll?***

During the annual Open Enrollment Period, September 22 - November 14, 2008. Once enrolled, you remain in the Program until you reinstate your City health benefits. Therefore, annual re-enrollment is not required. If you are already enrolled in the Program from a previous Plan Year, you will automatically receive an enrollment confirmation letter after the start of the new Plan Year. If you are terminated from the Program, you will receive a termination letter.

### ***When do new employees enroll?***

**Within 30 days** after becoming eligible for City health benefits, by completing and submitting a Health Benefits Application and an MSC Form to your agency's human resources department or NYCAPS personnel for review and completion. The forms and legal/supporting documentation must be received by the MSC Administrative Office within 30 days after this eligibility date.

## ***Mid-Year Changes***

### ***Qualifying Event***

Your participation in the Health Benefits Buy-Out Waiver Program will remain in effect unless you file an MSC Form indicating a Qualifying Event and a Health Benefits Application to withdraw from the Program. Similarly, employees who have not enrolled in the Health Benefits Buy-Out Waiver Program may waive City health benefits mid-year **only** if they incur a Qualifying Event.

Any MSC Form received in June will be effective July 1st of that Plan Year. Any MSC Form received in December will be effective January 1st of the following Plan Year. If you experience a Qualifying Event, contact your agency's benefits department as soon as possible to obtain the appropriate forms, which must be submitted with documentation and received by the MSC Administrative Office within 30 days after the Qualifying Event.

Qualifying Events include:

1. A change in family status such as marriage, divorce, annulment, or legal separation;
2. The death of a participant, spouse, domestic partner, or dependent;
3. The birth or adoption of a child who will be the participant's dependent;
4. The participant becomes divorced and is required under court order to provide health insurance coverage for eligible dependent children;
5. The termination of the participant's employment for any reason including retirement (Forms must be submitted to terminate the Health Benefits Buy-Out Waiver Program.);
6. A change in spouse's/domestic partner's coverage, which is significant and outside the control of the spouse, e.g., benefit reduction (See Reinstatement of City Health Benefits section.);
7. The participant's spouse/domestic partner has a change in employment status, which results in a change of health insurance coverage, either acquiring or losing eligibility for coverage (See Reinstatement of City Health Benefits section.);
8. A change in employment status from part-time to full-time, or vice-versa, by the participant or the participant's spouse/domestic partner (increase above 20 hours or reduction below 20 hours in regular hours worked per week); or
9. The taking of, or returning from, an approved unpaid leave of absence by the participant or the participant's spouse/domestic partner.

### ***Agency Transfer/Leave of Absence***

- Employees who transfer from one City agency to another within the City or who have an agency payroll code change must notify the FSA Administrative Office in writing at least 30 days prior to the transfer.

*Open Enrollment Period is September 22 through November 14, 2008*

*You will receive a confirmation letter once your enrollment has been approved.*

*Participants will not be allowed to make changes inconsistent with the Qualifying Event.*

- Employees who take an approved unpaid leave of absence must complete the MSC Form and Health Benefits Application to withdraw from the Health Benefits Buy-Out Waiver Program. Upon returning, employees who wish to be reinstated into the Program must re-enroll by completing an MSC Form and Health Benefits Application within 30 days after returning to work.

### ***Reinstatement of City Health Benefits***

- To reinstate City health benefits for the following Plan Year, you must complete an MSC Form and Health Benefits Application, and submit them to your agency's human resources department or NY-CAPS personnel during the annual Open Enrollment Period.
- To reinstate City health benefits mid-year, you must provide proof of a Qualifying Event. If documentation is received within 30 days after the event, reinstatement into the City's Health Benefits Program will be retroactive to the date of the Qualifying Event.
- To reinstate City health benefits at retirement, you must complete a Health Benefits Application and an MSC Form to withdraw from the Health Benefits Buy-Out Waiver Program.
- Access to City health benefits at retirement will be unaffected by participation in the Health Benefits Buy-Out Waiver Program.

### ***MSC Denial of Enrollment***

- If the MSC Administrative Office denies an enrollment, you will receive a denial letter stating the reason for denial.
- You may file a written appeal with the Appeals Panel within 30 days after your receipt of the denial notice.
- The Appeals Panel will review and make a decision on your claim within 60 days after receipt of your written notice for appeal.

### ***Other Information***

#### ***Welfare Fund Benefits***

Your Welfare Fund benefits may be affected by waiving your City health benefits. Contact your Welfare Fund Administrator if you have questions.

#### ***Employees Who are Currently Waiving City Health Benefits***

Employees waiving their City health coverage and who are not participating in the Health Benefits Buy-Out Waiver Program will need to re-waive their City health benefits by submitting a Health Benefits Application and an MSC Form during the annual Open Enrollment Period in order to participate in the Health Benefits Buy-Out Waiver Program.

#### ***Deferred Compensation Plan***

An employee participating in the City's Deferred Compensation Plan (DCP) in lieu of FICA and participating in the Health Benefits Buy-Out Waiver Program (taxable income), may need to increase his/her salary deferral percentage to an amount higher than 7.5% of annual salary in order to account for the increase in income due to the "Buy-Out Waiver Incentive Payment." If the 7.5% of total salary income requirement is not met, the participant who is enrolled in DCP may have to continue to pay FICA taxes until that requirement is met.

## ***Premium Conversion Program***

### ***How the Premium Conversion Program Works***

- 1.** Enrollment in the Premium Conversion Program remains in effect during the Plan Year and your status cannot change unless an approved Qualifying Event occurs mid-year.
- 2.** If you wish to change from pre-tax to post-tax, complete an MSC Form and submit the completed form to your agency's benefits department for approval.
- 3.** You will save on federal and Social Security taxes, however, Social Security benefits at retirement will be slightly less as a result of the Program.

*If you currently do not have a payroll deduction for health insurance, this program does not affect your tax status.*

### ***How do I enroll?***

Enrollment in the Premium Conversion Program is automatic. If you have a health plan premium deduction, it will automatically be taken on a pre-tax basis. However, you are able to choose post-tax payments if you wish. Employees may change from pre-tax to post-tax or vice-versa during the FSA Annual Open Enrollment Period which is September 22, 2008 through November 14, 2008.

### ***How the Premium Conversion Program Affects Your Taxes***

#### ***Effect on Gross Salary***

There is a reduction in the taxes withheld from your gross salary. The reduction in gross salary will be shown on your Form W-2 under IRC 125. This amount should be added back to state/city gross income. Some payrolls may show gross salaries differently depending on the software and payroll systems in use.

#### ***Premium Conversion Program Tax Savings***

Savings will vary and be based on, among other things, your health plan option, whether you have individual or family health coverage, the number of withholding allowances that you claim for tax purposes, and your salary.

#### ***Change Premiums from Pre-Tax to Post-Tax***

While automatically enrolled on a pre-tax basis, you may choose post-tax premiums if you wish. Changing from one to the other can be done during the FSA Annual Open Enrollment Period. Employees, however, must decide to pay premiums on either a pre-tax or post-tax basis for an entire Plan Year.

### ***Mid-Year Changes***

#### ***Qualifying Event***

Enrollment in the Premium Conversion Program remains in effect during the Plan Year and your status cannot change unless an approved Qualifying Event occurs mid-year. Similarly, employees who waived enrollment in the Premium Conversion Program may enroll mid-year only if they incur a Qualifying Event.

Qualifying Events include:

- 1.** A change in family status such as marriage, divorce, annulment, or legal separation;
- 2.** The death of a participant, spouse/domestic partner or dependent;
- 3.** The birth or adoption of a child who will be the participant's dependent;
- 4.** The attainment of the maximum age for coverage of a dependent child;
- 5.** The participant becomes divorced and is required under court order to provide health insurance coverage for eligible dependent children;

*MSC Premium Conversion Program Enrollment/Change Form is available for download at nyc.gov/olr or by calling (212) 306-7760.*

6. Moving out of an HMO service area;
7. A participant has a change in title, which necessitates a change in health plan (e.g., Med-Team participants must be DC-37 members; Metroplus participants must be HHC employees);
8. The termination of the participant's employment for any reason including retirement;
9. A change in spouse's/domestic partner's coverage, which is significant and outside the spouse's/domestic partner's control (e.g., due to termination of employment or benefit reduction);
10. A spouse/domestic partner has a change in employment status, which results in a change in health insurance coverage (either acquiring or losing eligibility for coverage);
11. A change in employment status from part-time to full-time, or vice-versa, by the participant or the participant's spouse/domestic partner;
12. The taking of, or returning from, an approved unpaid leave of absence by the participant or the participant's spouse/domestic partner; or
13. An increase in the employee's health insurance premium by more than 20%.

### ***Effects on Other Benefits***

#### ***Social Security Tax (FICA)***

You will save on Social Security taxes due to the Premium Conversion Program.

Based on current Social Security law, Social Security benefits at age 65 will be slightly less as a result of the Premium Conversion Program. The effect, however, would be minimal and would be offset by the amount saved in taxes today.

#### ***Pension***

The Premium Conversion Program will have no effect on your pension contributions or benefits.

#### ***Deferred Compensation***

The Premium Conversion Program will have no effect on your participation in a 457, 401(k), Roth 401(k) or 403(b) plan.

*You must add back the amount listed under IRC 125 on your Form W-2 to your state/city gross wages.*

*The City of New York  
Office of Labor Relations  
Employee Benefits Program - Tax-Favored Benefits  
40 Rector Street, 3rd Floor, New York, NY 10006  
212-306-7760  
TTY 212-306-7629  
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