

Medical Program Details

The Medical Expense Reimbursement Account is one of the tax saving options available to The University of Tennessee employees through the Flexible Benefits Plan. The Medical Expense Reimbursement Account is generally beneficial to anyone who has predictable out-of-pocket medical expenses.

Medical Contribution Limits

There is a maximum contribution limit of 20% of gross salary or \$5,000, whichever is less.

Eligible Medical Expenses

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

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

Examples of eligible medical expenses:

Acupuncture	Lodging for medical treatment (max. \$50 per night)
Alcohol and drug addiction treatment	Massage Therapy (with letter of medical necessity from a Doctor)
Birth control pills	Medical Equipment (for a medical condition)
Braille books and magazines	Medical out-of-pocket expenses
Co-insurance amounts	Nursing home medical expenses
Contact lenses	Orthodontic care
Deductibles - Insurance	Over-the-counter (OTC) items excluding medicines*
Dental expenses (out of pocket)	Oxygen
Doctor's fees	Physical examination/check-ups
Eye examinations	Prescribed foods
Eye glasses	Prescribed vitamins
Guide dogs	Prescription Drugs
Health screening examinations	Reconstructive surgery
Hearing aids/batteries	Smoking Cessation Programs
Hospital services	Special schools for handicapped
Immunizations	Therapy received as medical treatment
Laboratory fees	Transportation to receive medical care
Lasiks Surgery	X-ray fees

*** Section 9003 of the Affordable Care Act established a new uniform standard for medical expenses. Effective Jan. 1, 2011, distributions from health FSAs will be allowed to reimburse the cost of over-the-counter medicines or drugs only if they are purchased with a prescription. This new rule does not apply to reimbursements for the cost of insulin, which will continue to be permitted, even if purchased without a prescription. The new rule does not apply to items for medical care that are not medicines or drugs. Thus, equipment such as crutches, supplies such as bandages, and diagnostic devices such as blood sugar test kits will still qualify for reimbursement if purchased after Dec. 31, 2010, regardless of whether the items are purchased using a prescription.**

Orthodontia

Orthodontic treatment is typically rendered over an extended period of time. Often, there is no direct relationship between payment and treatment. Some individuals pay for the entire treatment in full, while others make a monthly payment towards the total cost. In both cases, visits to the orthodontist may occur several times a month, or once every few months for adjustments.

The University of Tennessee allows reimbursement for pre-paid orthodontia expenses, up to the contracted amount, regardless of the date of service. The payment must have been made during the Benefit Period. If there is coverage under any dental plan, payment from the Medical Reimbursement Account will be reduced by the amount paid by the dental coverage. Please note that orthodontia differs from other dental procedures that require the actual service to be performed and paid for within the Benefit Period. The employee and/or the employee's eligible dependent(s) planning to begin or currently receiving orthodontia treatment are eligible for reimbursement.

Initial Evaluation Fees - Orthodontia services initially performed, such as moldings, diagnostic records fees, consultation fees, etc., are reimbursable when incurred if the expenses are separate from the contracted treatment. These expenses are typically not included in the total treatment cost for orthodontia and would require a fully completed claim form with an itemized bill. If these services were incurred during the Benefit Period in which you are requesting reimbursement, they would be considered eligible.

Initial Fee vs. Down Payment - It is a common practice for providers to require an initial fee before the start of orthodontia treatment. This expense is eligible for reimbursement with a fully completed claim form and an itemized bill indicating the initial fee or proof of payment. A down payment is not eligible for reimbursement as it does not represent any incurred services.

Monthly Payments - The monthly liability for orthodontic treatment is reimbursable from:

- An orthodontist coupon booklet indicating monthly payments
- A paid receipt indicating payment date
- A monthly statement that indicates monthly payment amount
- A Loan Coupon*
 - o Loan agreement where orthodontics is specified and the pay date is indicated
 - o Orthodontic provider contract/treatment plan that consists of total charge, banding date and estimated treatment that can be reconciled to the payment information.

**Finance charges are not eligible for reimbursement*

Full Payment for Orthodontic Treatment - If payment is made in full for the orthodontic treatment, and proof of payment is included with the completed claim form, the full payment amount will be reimbursed up to your Medical election amount.

Medical Expenses that are NOT ELIGIBLE:

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

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

Over the Counter Medicines (OTC)

****Important changes that went into effect January 1, 2011****

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

Section 9003 of the Affordable Care Act established a new uniform standard for medical expenses. Effective Jan. 1, 2011, distributions from health FSAs will be allowed to reimburse the cost of over-the-counter medicines or drugs only if they are purchased with a prescription. This new rule does not apply to reimbursements for the cost of insulin, which will continue to be permitted, even if purchased without a prescription. The new rule does not apply to items for medical care that are not medicines or drugs. Thus, equipment such as crutches, supplies such as bandages, and diagnostic devices such as blood sugar test kits will still qualify for reimbursement regardless of whether the items are purchased using a prescription.

Dependent Care Program Details

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

Dependent Care Contribution Limits

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

Dependent Care Expenses

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

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

Dependent Care Expenses that are Not Eligible

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

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

Medical and Dependent Care Enrollment

Enrollment into the Medical and/or Dependent Care Flexible Benefits reimbursement accounts is done each year during the Flexible Benefits Enrollment Period, which is October 15 thru November 30. To enroll you must complete a University of Tennessee Reimbursement Accounts Election and Compensation Reduction Agreement. If you enroll in the Dependent Care Reimbursement Account, you must also complete a Dependent Listing form (these forms can be found at <http://flexiblebenefits.tennessee.edu>).

After the enrollment period, you are not able to enroll or make changes to contract amounts, unless you have a change in family status such as marriage, divorce, death of a spouse or dependent, birth or adoption of a child, or loss of eligibility status. The change must be consistent with your change in family status. For example, you cannot change to a lesser plan of coverage because you gained a dependent. When applicable, a change in your participation will become effective the first of the month following receipt of your request, provided you complete a Change in Family Status Form (this form can be found at <http://flexiblebenefits.tennessee.edu>) and attach proof of the change. The Change in Family Status form must be completed within 30 days of the change. If you are a male employee whose wife is on maternity leave, you have 30 days after your wife returns to work to change your deduction amounts.

If you start to work after the enrollment period, you will have 30 days from your employment date to sign up for the Flexible Benefits Plan. Enrollment of new employees after the Annual Flexible Benefits Enrollment Period is over requires an Election Form to be submitted. Employees on leave of absence during open enrollment must enroll within 30 days of their return from leave.

Estimate your out-of-pocket medical and dependent care expenses for the upcoming plan year. Using these calculations, decide how much to place in your account. Be certain the amount is realistic. If you overestimate your expenses when establishing a reimbursement account, you lose any amount that is in excess of your incurred expenses. Employees may use balances that remain at the end of the 2011 Plan Year to pay for health care and dependent care expenses incurred during the first 2 ½ months of the following plan year. The University, in accordance with Internal Revenue Service regulations, cannot refund any amount not supported by actual expenses.

Medical and Dependent Care Reimbursement Procedures

Expenses for the current calendar year of the plan or within the first 2 ½ months of the following year can be used against your current year contract. For Medical Expenses be sure to save the Explanation of Benefits you receive from your insurance provider and/or the receipts for out-of-pocket medical expenses you incur. Submit Medical Reimbursement Request Forms to the Flexible Benefits Office along with either your Explanation of Benefits (if covered by insurance), or your invoices (these must have the name and address of the provider, name of the patient, date of service and cost of service). Submit Dependent Care Expenses along with your invoices (these must have the name, address, and Employer Identification Number or Social Security Number of the provider, name of the dependent, dates of service and cost of service). Cash register receipts or receipts that only indicate "Payment on account" or "Balance Forward" are not proof of service. You will then receive payment for the amount of your approved claimed expense, up to the amount you will contribute to your account during the year. Amounts paid to you through the reimbursement account will not be subject to income tax or social security tax. Upon submission of a reimbursement claim form, you will receive reimbursement for your expenses through your payroll check. We are required to obtain original claim forms.

Note that copies of checks, bank statements, credit card statements, or credit/debit card receipts cannot be used as proof of service (it is not when you pay an expense, but when you incur it that makes it eligible for reimbursement).

If you go on leave of absence without pay, change to term, retire, or otherwise terminate your employment, you may continue to be reimbursed for expenses incurred during the plan year if you choose to continue the plan by making a lump sum contribution (buyout your contract). If you do not buyout the plan, you will have 90 days to submit claims for expenses incurred prior to the leave, retirement, or termination date. In the event of your death,

your beneficiary or estate may be reimbursed for expenses incurred prior to your death. An employee returning from a Leave of Absence will not automatically be re-enrolled in a reimbursement account program. The employee must request re-enrollment and complete a new enrollment form within the first 30 days after returning. If you go on Family Medical Leave and did not continue the plan, you have 30 days from the date of your return to work to re-enroll in the Flexible Benefits Reimbursement Accounts.

OTHER ITEMS TO CONSIDER

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

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

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

IMPORTANT REMINDERS

- Even if you had participation in the reimbursement accounts this or any other year, you must re-enroll.
- Canceled checks, credit/debit card receipts, and cash register receipts cannot be used as proof of medical or dependent care service.
- Receipts which only show balance forward, received on account, or payment on account cannot be used. Date of service must be shown.
- The service must have been rendered during the calendar year of the plan or within the first 2 ½ months of the following year. You cannot carry balances forward (past the first 2 ½ months) or pick up old year expenses.
- Expense reimbursement requests for prior year plans must be filed by April 30 of the current year for reimbursement.
- If you are paid monthly, claims must be received in the Systems Payroll Office by the 15th of each month. If you are paid biweekly, claims are due on Monday the week before payday. **EXCEPTIONS:** Monthly paid employees must have December claims in by December 10th.
- Year to date Insurance Summaries that state total out-of-pocket expenses cannot be used alone. There must be detail provided for each date of service. Only the amounts listing in the section “Member Responsibility” or “Amount You Owe Provider” are eligible for reimbursement.
- Employees participating in the Dependent Care Reimbursement Account are required by the Internal Revenue Service to complete Part III of Form 2441 or Schedule 2 on your income tax return to claim the exclusion. Expenses reimbursed through this Flexible Benefits Program may not be used as tax credits or deductions on your annual federal income tax return.
- Care should be taken to submit each expense only once.

Transportation and Parking Accounts

Introduction

The University of Tennessee offers a Transportation and Parking Flexible Benefits Accounts as allowed by IRS Code 132.

A Qualified Transportation Fringe Benefit Plan provides two pre-tax alternatives to help you meet your transportation needs and expenses associated with getting back and forth between home and work. These are Transportation and Parking. These accounts benefit employees by allowing them to designate an amount, up to the established limitations, to be withheld from their paychecks as a pre-tax benefit. These deductions are forever exempt from Federal Income and Social Security taxes. Participation in this program will result in the employee having a lower tax obligation during each calendar year in which they participate.

Eligibility

Parking - To be eligible you must be a regular employee or a medical resident, and you cannot be participating in the University's parking deduction to enroll in the parking plan. (The university's parking deductions are already treated as pre-tax income).

Transportation - To be eligible you must be a regular employee or a medical resident. You can be enrolled in the University's parking deduction and still be eligible for the transportation account.

Enrollment

Unlike Medical and Dependent Care Flexible Benefits Accounts, there is no requirement for new employees to enroll within 30 days of being hired, and there is no annual enrollment period for existing employees. An employee may enroll in a Transportation Account and/or a Parking Account at any time during employment.

Employees may enroll by completing a TRANSPORTATION AND PARKING ENROLLMENT form. Those forms are available through the payroll office, or on the Flexible Benefits website at: <http://flexiblebenefits.tennessee.edu>.

The completed original form must be sent to the payroll office.

Enrollments or changes received by the 15th of the month will have an effective date of the 1st of the following month. Termination requests received by the 15th of the month will be effective on the last day of the month received.

To enroll in a Transportation Account and/or a Parking Account, complete the enrollment form and designate the total dollar amount to be withheld each month. For calendar year 2011, Parking and Transportation Accounts are limited to a maximum of \$230.00 per month. These limits are subject to change by the IRS each year.

Changing Deduction

The costs associated with the use of mass transit and parking are subject to change at any time. To maximize the benefit of these accounts to employees, deductions for Transportation and Parking Accounts can be changed each month, if desired. The employee needs to complete a TRANSPORTATION AND PARKING ENROLLMENT form mark the change box, designate a new amount, and then submit the form to the Payroll office.

Forms received by the 15th of the month will have an effective date of the 1st of the following month.

Termination of Accounts

Transportation and Parking Flexible Benefits Accounts can be terminated at any time by the employee. To terminate an account, the employee needs to complete a new Election Form and check the box indicating the account is to be stopped. The form must provide a termination date and be signed by the employee. The request can be mailed or faxed to Benefits Administration.

When an employee terminates for any reason, his/her account will be stopped as of the last date worked.

Any request for reimbursement must be for expenses incurred during the time of employment. If funds are not claimed by June 30th of the following year, the amount will be forfeited.

Reimbursement Process

An employee may request reimbursement by completing a TRANSPORTATION AND PARKING REIMBURSEMENT REQUEST form.

Under the appropriate section, transportation or parking, the employee must list the date the expense was incurred, the name of the service provider, and the dollar amount being requested. The employee will also need to sign and date the form before the request can be processed.

Along with the completed form, the employee must submit copies of receipts that will justify the expense. The receipt must contain the name and address of the service provider (name and address of owner if a private van was used), the date the expense was incurred, the name of the employee, and the amount of the expense. Cancelled checks, credit card statements, and bank statements are not acceptable as receipts to prove a charge has been incurred.

Parking receipts will normally be issued through an automated process and will not include the employee's name. These receipts will be accepted if the other criteria are on the receipts.

Once the reimbursement has been audited and entered for payment, the employee can expect the reimbursement to be included on his/her paycheck. For Monthly employees the reimbursement form must be received in the UWA Payroll Office by the 15th of the month (10th for December). For Biweekly employees the reimbursement form must be received in the UWA Payroll Office on Monday the week before payday.

Year End Balances and Forfeiture

Employees who have an available account balance in a Transportation or Parking Flexible Benefits Account as of December 31st will have until June 30th of the following year to claim the remaining funds. However, the expenses must have been incurred within the year just ending.

Previous year fund balances unclaimed by June 30th will be rolled to an active current year account of the same type. There is no annual "use it or lose it" rule.

Definitions

Mass Transit Passes - The maximum allowed before-tax benefit is \$120 per month combined with Van Pooling. Van Pooling applies to the transportation in a qualified *Commuter Highway Vehicle* of the Employee in connection with travel between the employee's residence and their place of employment; and on trips during which the number of employees transported for commuting is at least one-half of the adult seating capacity of the vehicle excluding the driver.

Van Pooling in Commuter Highway Vehicles - A *Commuter Highway Vehicle* must have seating capacity of at least six adults, not including the driver, and; at least 80% of its mileage use is expected to be for the purpose of transporting employees between their residences and place of their employment; and the number of employees transported is at least one-half of the adult seating capacity of the vehicle not including the driver. A maximum before-tax benefit of \$120 per month combined with Transit is allowed.

Qualified Parking - Qualified Parking means parking provided to the employee on or near the business premises of the Employer; or on or near a location (“park and ride”) from which the employee commutes to work through use of a transit pass, in a van pool, or other mass transit facility such as a train or a ferry boat. The parking facility may be an employer rented facility. The benefit itself may take several forms, such as the provision of free parking for employees, reduced rates, or full or partial reimbursement of employee payments for qualified parking. Reimbursement for parking on or near the premises of your Employer, or on or near a location from which the employee commutes to work through use of a Transit Pass or Van Pooling. A maximum amount of \$230 per month is allowed as a before-tax benefit.

MEDICAL REIMBURSEMENT ACCOUNT

Estimate of Medical Expenses

Estimate your medical expenses for the upcoming plan year. Only include expenses not covered by insurance.

	LAST YEAR'S PROJECTED EXPENSES	
	EXPENSES	EXPENSES
- Medical and Dental Deductibles:	\$ _____	\$ _____
- Your share of medical and dental co-payments:	_____	_____
- Surgical expenses:	_____	_____
- Prescription drugs:	_____	_____
- Vision examinations, glasses, contact lenses:	_____	_____
- Out-patient care:	_____	_____
- Orthodontia:	_____	_____
- Physical examinations:	_____	_____
- Other expenses:	_____	_____
Total	\$ _____	\$ _____
Gross Salary:	\$ _____	\$ _____
Times	X _____ .20	X _____ .20
MAXIMUM ANNUAL REDUCTION **	\$ _____	\$ _____

** MAXIMUM AMOUNT ALLOWED:

20% of gross salary or \$5,000, whichever is less

Pay Period Salary Reduction Amount:

Monthly Paid Employees: Divide annual reduction by 12 \$ _____ \$ _____

Biweekly Paid Employees: Divide annual reduction by 24 \$ _____ \$ _____

DEPENDENT DAY CARE REIMBURSEMENT ACCOUNT

WORKSHEET

Estimate your annual dependent day care expenses for the upcoming plan year. Remember to estimate conservatively and consider only those days when you will have dependent day care expenses.

	LAST YEAR'S EXPENSES	PROJECTED EXPENSES
1. Dependent Day Care Expenses		
- Infant/Toddler	\$ _____	\$ _____
- Pre-school	_____	_____
- Before-school or after-school care	_____	_____
- Reporting Days (in school only half a day)	_____	_____
- School in-service days(child not in school)	_____	_____
- School holidays	_____	_____
- School vacations	_____	_____
- Other dependent care	_____	_____
2. Total dependent day care expenses	\$ _____	\$ _____
	TOTAL FROM	ESTIMATED
	LAST YEAR	FOR PLAN
		YEAR **

**** MAXIMUM AMOUNT ALLOWED:**

Married, filing separately (maximum - \$2,500)	Married, filing jointly (maximum - \$5,000)	Head of household (maximum - \$5,000)
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3. Divide estimated total by your number of regular pay periods.	PAY PERIOD AMOUNT
Monthly Paid Employees: Divide annual reduction by 12	\$ _____
Biweekly Paid Employees: Divide annual reduction by 24	\$ _____