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 $2,500.

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
- Birth control pills
- Braille books and magazines
- Co-insurance amounts
- Contact lenses
- Reconstructive surgery
- Deductibles – Insurance
- Dental expenses (not cosmetic)
- Expenses for alcohol/drug addiction treatment
- Eye examinations
- Oxygen
- Eye glasses
- Guide dogs
- Health screening examinations
- Hearing aids/batteries
- Hospital services
- Immunizations
- Laboratory fees
- Lasik’s Surgery
- Lodging for medical treatment (max $50 per night)
- Nursing home medical expenses
- Orthodontic care
- Over-the-counter (OTC) items excluding medicines*
- Prescription Drugs
- Massage Therapy (with letter of medical necessity)
- Medical Equipment (for medical condition)
- Prescribed foods (with prescription and letter of medical necessity)
- Smoking Cessation Programs
- Special schools for handicapped
- Therapy received as medical treatment
- Transportation to receive medical care
- 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*
  - Loan agreement where orthodontics is specified and the pay date is indicated
  - 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 health (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 for Plan Year 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 if purchased after Dec. 31, 2010, regardless of whether the items are purchased using a prescription.

This change applies to purchases made on or after Jan. 1, 2011. Thus, even during the 2 ½ month grace period provision, the cost of over-the-counter medicines and drugs purchased without a prescription during the first 2 ½ months of 2011 will not be eligible to be reimbursed by a health FSA. Only medicines and drugs purchased before January 1, 2011 will be eligible for reimbursement.
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," "single" 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
**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 November 1 thru November 30.

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/](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 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.

**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. 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.

Claims can be submitted several ways:
- HealthHub credit card
- Online at [www.healthhub.com](http://www.healthhub.com)
- Mobile App – download PayFlex Mobile App
- US mail – obtain claim form online at [www.healthhub.com](http://www.healthhub.com) *
- Fax – obtain claim form online at [www.healthhub.com](http://www.healthhub.com) *

* (the paper claim form can be found by going to [www.healthhub.com](http://www.healthhub.com) click on employees, then on the right click on My HealthHub Resources)

All claims must be submitted 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). 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.

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, your flex plan will be shut down as of the date you terminate or are placed on leave. 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. Claims for those expenses may be filed through April 30th of the following year. 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.

**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, however, there may be an effect on the 457 plan limitations.

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.

- Receipts which only show balance forward, received on account, or payment on account cannot be used. Date of service must be shown.Canceled checks, credit/debit card receipts, and cash register receipts cannot be used as proof of medical or dependent care service.

- 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.

- One Insurance Explanation of Benefits (EOB) which states total out-of-pocket expenses cannot be used alone. There must be proof for each expense claimed. 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.

- Care should be taken to submit each expense only once.

- Expenses reimbursed through this Flexible Benefits Program may not be used as tax credits or deductions on your annual federal income tax return.

- Expense reimbursement requests for prior year plans must be filed by April 30 of the current year for reimbursement.