

ALLEGIANCE ADVANTAGE[®]

HEALTH FLEXIBLE SPENDING ACCOUNT (FSA)

Before the start of each Flex Plan year, you may elect to use “before-tax” dollars to pay for your out-of-pocket medical expenses including deductibles, co-pays and prescriptions. Dental and vision expenses may also be reimbursed. Eligible health FSA expenses include those defined by IRS Code, Section 213(d). For a list of examples, go to www.askallegiance.com. Please check your summary plan description for the maximum election amount.

Health insurance premiums are not reimbursable through the health FSA. There is a separate premium only part of your flex plan that may allow you to deduct group health premium amounts on a pre-tax basis. Salary deferrals elected for group premiums and Health FSA expenses are not subject to federal income, state income or Social Security/Medicare taxes.

Your health FSA election will reimburse you for eligible expenses that you, your spouse and your dependents incur during the plan year. The entire annual amount you elect can be used at any time during the plan year. All you have to do is elect the amount you want withheld before taxes from each paycheck. Then send Allegiance a reimbursement request with documentation of your eligible expenses to be reimbursed. It is not necessary to pay for the expense prior to being reimbursed.

If the expense could be covered through your insurance plan, please provide the insurance explanation of benefits as documentation. If insurance will not consider the expense, an itemized statement from the provider will satisfy documentation requirements. Some expenses are considered to be “dual purpose.” These expenses are for items or services that are sometimes for purposes other than to treat a medical condition. In order to be reimbursed for a “dual purpose” expense, or over-the-counter drugs and medicines a diagnosis and recommendation for treatment from a medical professional is required.

If you or your spouse participate in a general purpose health FSA, you are not eligible to contribute to a Health Savings Account (HSA).

Our **website**, www.askallegiance.com, provides a worksheet that allows you to estimate your medical expenses for a tax savings projection.

CUSTOMER SERVICE

Representatives are available to answer questions each business day between the hours of 7:00 a.m. and 6:00 p.m. Mountain time. After hours, and on weekends, you can access your account information online or through the tollfree automated voice-response system. Call us, toll free, at 1-877-424-3570.

DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT (FSA)

If both you and your spouse work or you are a single parent, you may have dependent care expenses. Without a dependent care FSA, the only tax help for you is the Federal Child Care Tax Credit. A dependent care FSA may give you a better tax benefit, so compare both before making your annual election. A tool to get an estimate of your tax savings and a worksheet to compare the Federal Child Care Tax Credit to the dependent care FSA, is available at www.askallegiance.com. A dependent receiving care must live in your home at least eight (8) hours per day.

Your dependent care FSA lets you use “before-tax” dollars to pay care expenses for children age 12 and under, or individuals unable to care for themselves. The care must be necessary for you and your spouse to remain gainfully employed. The care may be provided through live-in care, baby sitters, and licensed day care centers. You cannot use “before-tax” dollars to pay your spouse or one of your children under the age of nineteen (19) for providing care. Schooling expenses at the kindergarten level and above are not reimbursable. Neither overnight camp nor nursing home care is reimbursable. The maximum you can elect in a calendar year is equal to the smallest of the following:

- \$5,000 - per couple if married and filing federal taxes jointly, or for a single parent;
- \$2,500 - if married and filing a separate federal tax return; or,
- your spouse’s earned income.

An employee with a disabled spouse or a spouse who is a fulltime student can claim \$250/month for one child and \$500/month for two or more children with the maximum election not to exceed \$5,000 per calendar year. Unlike health FSAs, dependent care FSAs may only reimburse expenses up to the amount you have contributed at any time during the year.

FLEX PUTS TAX DOLLARS BACK INTO YOUR POCKET

Mary is a single mother of two earning a salary of \$3,500.00 per month. Mary elects health insurance coverage for her children and herself. Her employer covers some of the insurance premium cost, but Mary is required to contribute \$100.00 each month. Her oldest child has braces and Mary is paying the orthodontist \$100.00 per month. Mary's youngest child attends pre-school while Mary is at work, and she is paying \$300.00 per month to the day care provider. Let's compare Mary's monthly take-home pay if she enrolls in the employer's flexible benefits plan to her take-home pay if she pays these expenses with after-tax income:

	NO PLAN	FLEX PLAN
Gross Pay	\$3,500	\$3,500
Flex Plan	\$0	\$500
Taxable Pay	\$3,500	\$3,000
Federal Tax*	\$290	\$229
State Tax*	\$146	\$116
FICA / Medicare*	\$268	\$230
Net Pay	\$2,796	\$2425
Insurance	\$100	\$0
Braces	\$100	\$0
Daycare	\$300	\$0
Monthly Net Pay	\$2296	\$2425

Through her participation in her employer's Flex Plan, Mary is able to put an extra \$129 in her pocket each month! That's a total increase of \$1,548 in spending income for the year.

*Actual amounts will vary based on the current Federal and State Income tax rates and withholdings.

MID-YEAR ELECTION CHANGES

No changes may be made to your election during the plan year unless you experience a "qualifying event". Mid-year election changes usually must be made within 30 days of a qualifying event. Changes are limited and differ for each pre-tax option. For more information about mid-year election changes, please contact your human resources department or Allegiance.

MODIFIED "USE-OR-LOSE" RULE

Under the "use-or-lose" rule, election amounts remaining after the plan year has closed cannot be returned to you. Your Employer allows up to \$550 of your unused health FSA funds to rollover into the new plan year. Funds that rollover can be utilized for claims submitted during the runout from the previous plan year or new claims you incurred in the new plan year. Please note any funds exceeding \$550 will be left in the previous year's account and will be used first for the previous year's claims before we utilize your rollover funds.

REIMBURSEMENT

- ✓ **Check Payment:** Allegiance authorizes reimbursement and prints checks each business day. Claims are normally processed within five business days of receipt. You usually have a check in your mailbox within a week after Allegiance receives your claim.
- ✓ **Direct Deposit:** Request Direct Deposit on the Allegiance website and Allegiance will electronically deposit reimbursements directly into your checking account.
- ✓ **Debit Card:** Your employer may offer debit cards as part of the Flex Plan. You may use the debit card to pay for medical and/or dependent care expenses. Documentation for the expense may be required, and should be saved for all debit card transactions.

You may mail, fax toll-free, upload via mobile device, or scan and send claims electronically at www.askallegiance.com.

Claims for eligible expenses that were incurred during the plan year may be submitted for a limited time after the end of the plan year ("run-out"). If you terminate employment during the plan year, there is also a "run-out" period in which expenses incurred prior to your termination may be submitted for reimbursement. The "run-out" period, determined by your employer, is listed in your summary plan description.

| FSA TIPS

If you have extra cash in your flexible spending accounts, there are plenty of ways to spend it. First, check with your employer and see if your company either a) allows you to roll over up to \$550 for next year, or b) offers a grace period of two-and-a-half months into the next year to spend down the account. Check with your insurer to see if you have any out-of-pocket expenses that could be covered with FSA dollars.

As you work through open enrollment for 2022, note that the IRS is allowing employees to contribute \$2750 to health FSAs in 2022, a slight increase from this year. You put this money away pre-tax, meaning if you're in the 30% tax bracket and contribute the full amount, you'll save \$825 in taxes. (Don't confuse FSAs with health spending accounts—HSAs—which you can roll over at the end of the year and even invest, but are associated with high-deductible health plans.)



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If you still have some funds left over, here are some ways to spend them beyond a new pair of glasses:

- ✓ Acupuncture treatments
- ✓ Allergy medication (over-the-counter and prescription)
- ✓ Ambulance transport
- ✓ Aspirin and other over-the-counter pain relievers
- ✓ Blood pressure monitors
- ✓ Breast pumps
- ✓ Breastfeeding classes
- ✓ Childbirth classes
- ✓ Chiropractic care
- ✓ Condoms and other contraceptives
- ✓ Contact lenses
- ✓ Cough drops and syrup
- ✓ Dental treatments
- ✓ Diabetic monitors, test kits, strips and supplies
- ✓ Drug and alcohol addiction treatment
- ✓ Eye exam
- ✓ Eyeglasses
- ✓ Fertility monitors and treatments
- ✓ First aid kits
- ✓ Flu shots
- ✓ Hearing aids and batteries
- ✓ Insulin
- ✓ Laser eye surgery
- ✓ Mental health counseling
- ✓ Mileage for travel to and from health care appointments
- ✓ Night guards
- ✓ Pregnancy tests
- ✓ Prescription drugs
- ✓ Prescription sunglasses
- ✓ Over-the-counter reading glasses
- ✓ Sunscreen (with SPF 15 or higher)
- ✓ Walking aids like canes, walkers and crutches

You can also use the funds to pay for copays, coinsurance payments and deductibles throughout the year. Note that some medications require a prescription or note from your doctor, while others can be purchased over-the-counter. If you are looking for a more comprehensive list of eligible expenses visit askallegiance.com and search our resources for reimbursement accounts.

Please retain all of the documentation related to each health flexible spending account (FSA) debit card transaction (itemized bills and statements from your health, dental and/or vision care plans). When you use the card, you may receive an email request from Allegiance for documentation of the transaction. If you do not respond to that request, you will receive a reminder. If requested documentation is not submitted, your card may be temporarily deactivated. Allegiance retains documentation for certain debit card transactions to ensure the continuing tax-favored status of the plan.

For health FSAs, eligible items will be automatically approved at merchants that employ the Inventory Information Approval System (IIAS). Generally, large pharmacies, grocery stores and box stores (i.e.: Walgreens, Albertsons, Walmart) have IIAS capability. You may use the debit card for mail order pharmacy purchases, but many do not have IIAS capability and will require after-the-fact substantiation.

Standard co-pays and multiples (for example \$25, \$50, etc.) may be automatically approved for debit card payment. For all other amounts, you will receive a request for documentation.

If you incur an expense that will be sent to your health, dental, and/or vision plan, it's best to not use the card at the time of service. Once you receive the statement from your plan, contact your provider to pay the balance with the card. Then, forward the plan statement to Allegiance if you receive the request for documentation. When the provider requires payment at the time the service is received, or if the plan year end date is approaching, you may choose to use the card prior to receiving the plan statement. If you do not have a copy of your plan statement to submit within 60 days of the date of service, please call us.

If you do not have health, dental, and/or vision coverage for the service received, send the itemized bill or statement to Allegiance upon receiving a request for documentation. Make sure the dollar amount, the service date and a list of the services provided are stated on the itemized bill.

If the expense was incurred prior to the start of the current plan year, do not use the debit card to pay the bill. Reimbursement requests for expenses incurred in previous plan years should be filed using the Allegiance website or mobile app.

If a merchant asks you for a personal identification number (PIN), ask the merchant to run the transaction as a credit. The merchant, however, may refuse your request.

Establish a password on the Allegiance website (www.askallegiance.com) to view transaction detail in your Expense Tracker. In order to access your PIN, call 1-866-898-9795.

Please contact us with questions at advantageinquire@askallegiance.com; or, call 1-877-424-3570, Monday through Friday from 7 a.m. to 6 p.m. Mountain Time.