



team **uams**



Premium Conversion through Section 125 Flex Plan

What is Premium Conversion?

- Applies to your payroll-deducted **Medical, Dental and Vision** insurance premiums
- You may elect to pay these premiums on a **pre-tax** basis.
 - Decreases your taxable income reported on your W-2
 - Increases your take-home pay because less taxes are deducted
- Most employees elect this benefit to maximize their take-home pay. Great way to reduce your tax liability.

Premium Conversion – is there a risk?

- Yes, a minimal one. You can't make a mid-year change to your medical or dental coverage, such as dropping coverage on yourself or family members. You would have to be within **1 month (31 days max) of a qualifying event** or wait until the end of the calendar/tax year.
- Vision plan doesn't allow you to drop mid-year, regardless of if you pre-tax or post-tax the premium (except to drop dependents who become ineligible)
- **Consider enrolling in Medical or Dental on an after-tax basis if you think you may need to drop coverage before the end of the year and you won't have a qualifying event**
- You may change your Premium Conversion election at the end of each year, to take effect January 1

OK to change your Medical or Dental coverage mid-year due to:

- Gain or loss of dependent
 - Marriage, divorce, legal separation or annulment
 - Death of spouse or dependent
 - Birth or adoption
 - Child ages out at 26

- Loss of other coverage (for example, your spouse loses their job and coverage through that job)

Your benefit change must be “on account of and consistent with” the qualifying change in status.

Be sure to notify HR within 1 month!

New coverage generally takes effect first of the following month.



Are you waiving our plans because you have other coverage?

- If you are declining coverage because you have other coverage, make absolutely sure you remain covered under the other plan. Best to get written verification.
- This is especially true if you or your children are on **Medicaid** or **ARKidsFirst**. You must notify them within 10 days of starting a new job to confirm you are still eligible for those benefits.

Life Event Checklists

- Remember, you have a 1-month window (31 days max) to make changes.
- Also visit our website for checklists when you experience a life event, such as:
 - ✓ Marriage
 - ✓ Divorce
 - ✓ Birth of a child (or adoption)
 - ✓ Full-time to part-time
 - ✓ Leave of absence
 - ✓ Military leave



Flexible Spending Accounts through Section 125 Flex Plan

What is an FSA?

- A Flexible Spending Account allows you to set aside pre-tax dollars to pay for eligible out-of-pocket health and dependent care expenses
- Sometimes referred to as “Reimbursement Accounts” or “Cafeteria plan”
- We have 2 separate FSA plans. You can enroll in one or both:

Dependent Daycare Account

Healthcare Account

How do FSA's work?

- Up front, you estimate how much you're going to spend for healthcare and/or daycare for the plan year. Plan year starts first of next month once you enroll and ends December 31.
- **Be conservative and include only predictable expenses and those that qualify for reimbursement under an FSA**
- We will deduct that amount from your paycheck, spread out over the year. Your elected annual amount divided by number of paychecks (26 biweekly or 12 monthly) = deduction amount.
- Deduction is **pre-tax**. Deducted **before** federal, state and FICA taxes are calculated, so it reduces your wages that will be reported on your W-2.

How FSA's work (cont)

- You then file a claim to our FSA administrator, UMR, to reimburse yourself from your own account for eligible expenses
- **If you're in a 30% tax bracket, it's like you're saving 30% on eligible healthcare and daycare expenses**
- Healthcare FSA's are initially fully funded by UAMS -- you can "spend" it right away, then have rest of the year to pay in. Dependent Care FSA's are different – you have to put in the money before getting reimbursed.
- **PLEASE!** Visit our web site to view a more detailed presentation on **how FSA's work**, especially if you've never done one before.



Dependent Daycare FSA

- Current tax laws allow you to set aside up to **\$5,000** annually to pay for child daycare or adult dependent care (\$2,500 if married and filing separately)
- Child must be age 12 or under
- Daycare expenses must be work-related. Expenses must relate to care that enables you and your spouse to work. Both spouses must be employed.

A Dependent Care FSA may save you more in taxes than using the Child Care Tax Credit when you file your tax returns. But it depends on your income. If your family income exceeds \$24,000 and you are not in the 15% tax bracket, an FSA may generally benefit you more. But consult with your personal tax advisor.



Healthcare FSA

- Eligible expenses are **medical, dental and vision expenses** (incurred during the period of coverage) of the employee and eligible dependents which are **not reimbursed by insurance**. Expenses have to be your true out-of-pocket costs.
- If you enroll in the Health Savings (high deductible) medical plan, you are not eligible to enroll in a Healthcare FSA
- Plan booklet and details are on our website
- Maximum contribution is **\$2,650/year**
Minimum contribution is **\$120/year**
- Unless your itemized medical expenses exceed 10% of your adjusted gross income, you cannot claim them on your IRS Form 1040. But you can save taxes by paying for these medical expenses through a tax-free FSA.

FSA Eligible Healthcare Expenses

(partial list, visit our website for comprehensive list)

- Alcohol & drug rehab
- Chiropractor/physical therapy
- **Coinsurance & deductibles**
- **Copays**
- Dental visits (non-cosmetic)
- Fertility treatments
- Hospital services
- Ob/gyn
- Office visits
- Optometrist
- **Orthodontia/braces**
- Physical exams
- Psychiatrist
- Vaccines
- Vision – laser surgery
- X-rays
- **Most over-the-counter meds ONLY if you have a doctor's prescription**
 - Antacids & acid reducers
 - Antihistamines, allergy meds
 - Aspirin & other pain relievers
- Over-the-counter health supplies
 - Condoms & contraceptive devices
 - Contact solution
 - First aid supplies

Healthcare FSA Benny Card

- If you enroll in a healthcare FSA, you automatically will receive a Benny Card. Looks like a credit card but it's really a prepaid FSA debit card.
- You don't have to use the card. You may opt instead to file manual reimbursement claims.
- What is nice about the card? Better cash flow, as you don't have to pay your copay or other eligible expense up front and then file a claim to be reimbursed. Payment is debited directly from your FSA. But **keep your receipts** – you may be required to send them in to fulfill IRS requirements.



Flexible Spending Accounts

- Your election to participate starts the first of the next month (after you sign up) and is only good for the tax year. Your FSA automatically ends each December 31.
- Open enrollment is held annually, usually in November, for you to re-enroll for the new year
- Mid-year FSA changes and enrollments are very limited and allowed only within 1 month of a “qualified event”
- **IMPORTANT: Use it or lose it.** Any funds left in your FSA at the end of the plan year (meaning money you put in but haven't spent yet) will be forfeited - except for \$50 min to \$500 max in your healthcare FSA that you can rollover into the next year.



More on FSA's...

Once you enroll as a new employee, FSA's take effect the first day of the NEXT month, same as insurance.

You may use your FSA for expenses you incur on or after that date, and through end of your plan year.

Check out our website for forms and link to UMR's website where you can view your account.

FSA or HSA for healthcare expenses?

Flexible Spending Account

- Not tied to our medical plan although you cannot be enrolled in UA Health Savings Plan or any other high deductible plan
- \$2650 limit
- Use it or lose it
- \$500 rollover
- Debit card, account set up at UMR

Health Savings Account

- Only if you enroll in Health Savings Plan (HSA must be paired with a qualified high deductible plan, IRS reg)
- \$3450 single, \$6900 family limit
- No use it or lose it
- Debit card, account set up at Optum Bank

Benefit Questions?



- Call HR/Employee Services at (501) **686-5650**
- Visit the Office of Human Resources Monday-Friday, 7:30 - 4:30 located on 4th floor, wing C of Central Building
- Send an email to **AskHR@uams.edu**
- Visit our web site at **www.hr.uams.edu**