

Los Rios Community College District

FLEXIBLE BENEFIT PLAN

January 1, 2019 – December 31, 2019

**THIS PACKET INCLUDES YOUR FLEX PLAN SUMMARY AND OTHER
IMPORTANT INFORMATION**

YOUR FLEX SUMMARY PLAN DESCRIPTION (SPD) IS AVAILABLE ONLINE

EMAIL

CUSTOMERSERVICE@BASICPACIFIC.COM

WEBSITE

BASICPACIFIC.COM

PHONE

(916) 303-7090
(800) 574-5448

FAX

(916) 303-7083
(800) 584-4591

MAILING ADDRESS

PO BOX 2170
ROCKLIN, CA 95677



PRE-TAX BENEFIT PLAN

Your employer offers tax-free benefit plan(s) that provide you with ways to save up to thousands of dollars per year by offering the option to pay for certain types of expenses with pre-tax payroll deductions. If you choose to participate, you will reduce your taxable income which ultimately results in you having more money to spend!

This packet contains important information about your pre-tax benefit plan(s). For more details about the plan, please refer to your Summary Plan Description (SPD).

MEDICAL FLEXIBLE SPENDING ACCOUNT (FSA)

WHAT IS THE MAXIMUM I CAN ELECT?

The maximum you can elect is **\$2,650** per plan year (\$0 minimum).

HOW DO I USE THE MEDICAL FSA?

The Medical Expense FSA allows you to set aside tax-free dollars that will reimburse you for "qualified" medical, dental and vision expenses "incurred" during the plan year. "Incurred" means the service must be performed during the plan year. "Qualified" expenses include most medically necessary (meaning not cosmetic) out-of-pocket medical, dental, and vision related expenses. Insurance premiums of any kind, including Medicare, individual health insurance, long-term care, warranties, or membership fees that are not directly related to care are not eligible for reimbursement through the Medical FSA.

IRS Publication 502 offers helpful information as a guide to what qualifies as a medical expense. Please be advised Publication 502 addresses all expenses that can be deducted on your individual tax return, not just the expenses that are eligible for reimbursement through a Medical FSA.

IRS Publication 969 is another good source of information for medical FSAs.

HOW DO I USE THE LIMITED USE FSA?

If you elect to enroll in a HSA (Health Savings Account), you may not enroll in the full Medical FSA. However, you may elect to enroll in the Limited Use FSA.

The Limited Use FSA works exactly like the full Medical FSA except that you may only be reimbursed for dental and vision expenses incurred by you and your eligible family members. As an example, let's say you enroll in a HSA. Let's also say you plan to purchase prescription glasses for your spouse (\$300) PLUS you pay \$100 every month for your child's braces (\$1,200). Using this example, you could elect up to \$1,500 (or your maximum permitted election, if less) for the Limited Use FSA.

Why not use your HSA to pay for these expenses? There are quite a few reasons why electing the Limited Use FSA can be a great benefit. First, your entire Limited Use FSA election is available to you as of the first day of the year (whereas you have to save up the money in your HSA). Second, your Limited Use FSA election is 100% tax-free (just like the full Medical FSA). Third, by using the Limited Use FSA for your dental & vision expenses, you won't deplete the funds in your HSA.

FOLLOWING IS A SAMPLE OF PERMITTED EXPENSES:

ACUPUNCTURE	LABORATORY FEES
ALLERGY TREATMENTS	LASER EYE SURGERY
CHIROPRACTIC	MEDICAL MILEAGE
CONTACT LENSES & SUPPLIES	ORTHODONTIA (CHILD & ADULT)
DENTAL (NO TEETH WHITENING)	OVER-THE-COUNTER MEDICAL ITEMS & SUPPLIES (RESTRICTIONS MAY APPLY)
DOCTOR OFFICE VISITS & EXAMS	PRESCRIPTIONS (MEDICALLY NECESSARY)
GLASSES (PRESCRIPTION)	PSYCHIATRIC CARE
HEARING AIDS	STERILIZATION
HOSPITAL SERVICES & SURGERY	THERAPY (NO MARRIAGE/FAMILY COUNSELING)
INSULIN & INSULIN SUPPLIES	VACCINES (INCLUDING FLU SHOTS)
INSURANCE CO-PAYS & DEDUCTIBLES	VISION EXAMS

CAN I BE REIMBURSED THROUGH AN FSA FOR HEALTH EXPENSES INCURRED BY MY FAMILY MEMBERS?

Yes! You may save taxes on all qualified medical expenses incurred by you, your spouse, and your dependent children. You may NOT be reimbursed for expenses incurred by a domestic partner unless your domestic partner is your federal tax dependent.

Your plan **allows** reimbursement for qualified expenses that you incur for an eligible adult child up to age 26.

DOES OUR MEDICAL FSA PLAN INCLUDE A GRACE PERIOD?

Yes! Your spending account(s) include a **2 1/2 month** grace period after the end of each plan year. You may incur expenses until **March 15** that can be applied toward the remaining balance in your prior year account(s).

WHAT IS THE LAST DATE I CAN SUBMIT FSA CLAIMS FOR THE PLAN YEAR?

If you are an active participant on the last day of the plan year, your designated final filing date is **March 31, 2020**. Please keep in mind that any unused amount left in your account is forfeited at the end of the plan year. This rule is commonly known as "use it or lose it."

DOES OUR FSA PLAN INCLUDE A DEBIT CARD?

Yes! New participants will receive two debit cards at no cost. You may provide the second debit card to your spouse or adult dependent, or keep the second card as an alternate card to use, just in case.

If you order additional cards or replacements for lost/stolen cards, a **\$10** fee will be paid by the **Participant**.

DO NOT throw away your debit cards after you exhaust your account(s). The debit cards are valid for up to 3 years at a time and are reloadable. If you throw away your debit card before it expires, a fee will be charged when you order a new card.

Your debit card can be used to pay for qualified services at providers that accept VISA or by using your PIN (Personal Identification Number). To obtain a personal PIN for your debit card, call 1-866-898-9795 and the automated system will walk you through the process.

HOW DO I ENROLL IN THE FSA PLAN?

You will make your Spending Account election using the **BASIC pacific Online Enrollment System**. The appropriate enrollment instructions and/or forms are included or may be provided to you separately by your employer, if applicable.

CAN I PARTICIPATE IN A FSA AND HSA (HEALTH SAVINGS ACCOUNT) AT THE SAME TIME?

If you participate in the Medical FSA, neither you nor your spouse (if applicable) is permitted to make contributions to a HSA at any time during the plan year. However, your Flexible Benefit Plan offers a special Limited Use FSA (this is a FSA that will only reimburse dental and vision related expenses) you may elect to participate in the Limited Use FSA and your HSA or your spouse's HSA at the same time.

CAN I BE REIMBURSED MORE THAN I'VE HAD DEDUCTED FROM MY PAYCHECK?

The Medical FSA account is pre-funded, meaning your entire annual election amount is available for reimbursement at any time during the plan year, regardless of the amount you have contributed from your paycheck.

WHAT HAPPENS IF MY EMPLOYMENT TERMINATES OR I LOSE ELIGIBILITY TO PARTICIPATE IN THE PLAN(S)?

Medical FSA and Limited Use FSA: Benefits will not be payable for services rendered after **the day on which** you lost your eligibility to participate. (Refer to your SPD for information about COBRA for the Medical FSA, if it is available).

BASIC pacific must receive your Medical FSA claims for reimbursement no later than **90 days after the date your eligibility ended** for expenses that were incurred prior to the date your participation ended.

HOW DO I DETERMINE HOW MUCH MY FAMILY WILL SPEND ON HEALTH SERVICES?

The worksheet on the following page will help you calculate how much your entire family will spend on medical services during the course of the plan year.

- Only include services or expenses you will incur during the plan year based on the date of service (not the date you pay for a service).
- While determining the amount you would like to contribute on an annual basis, please keep in mind that any unused amount left in your account is forfeited at the end of the plan year. This rule is commonly known as "use it or lose it."

DO NOT include expenses for the following services:

- "Boutique" Medical Access Fees (Membership fees paid for access to a particular doctor)
- Capital expenses (including operating & maintenance costs)
- Cosmetic services
- Electrolysis
- Expenses for your general health
- Expenses paid by another plan
- Food (of any type)
- Health club membership dues
- Insurance premiums
- Massage & massage therapy (unless prescribed to treat a specific medical condition)
- Marriage & family counseling
- Vitamins, supplements & herbal remedies (unless prescribed by a physician)
- OTC Drugs & Medicines (without a written prescription)

ANNUAL HEALTH EXPENSE CALCULATOR WORKSHEET

OFFICE VISITS & CO-PAYMENTS

MEDICAL OFFICE VISITS	\$
ACUPUNCTURE OFFICE VISITS	\$
CHIROPRACTIC OFFICE VISITS	\$
THERAPY (NO MARRIAGE OR FAMILY COUNSELING)	\$
HOMEOPATHIC OFFICE VISITS	\$

PRESCRIPTION DRUGS (LEGAL)

ALLERGY TREATMENTS	\$
BIRTH CONTROL PILLS	\$
OTHER PRESCRIPTION DRUGS	\$

VISION EXPENSES

EYE EXAMS	\$
CONTACT LENSES AND SUPPLIES	\$
PRESCRIPTION EYEGASSES	\$
PRESCRIPTION SUNGLASSES	\$
LASER EYE SURGERY	\$

DENTAL EXPENSES

DEDUCTIBLES	\$
EXAMINATIONS	\$
TEETH CLEANING	\$
CROWNS, BRIDGES, ROOT CANALS	\$
ORTHODONTIA	\$

OVER-THE-COUNTER MEDICAL SUPPLIES

BAND AIDS, FIRST AID KITS, ETC.	\$
---------------------------------	----

OTHER EXPENSES

IN VITRO FERTILIZATION	\$
INSULIN AND INSULIN SUPPLIES	\$
PSYCHIATRIC CARE	\$
MEDICAL MILEAGE	\$

TOTAL	\$
--------------	-----------

OVER-THE-COUNTER (OTC) DRUGS, MEDICINES, AND SUPPLIES

Saving taxes on your OTC drugs, medicine, and medical supply purchases is a great way to maximize the benefits of your Medical FSA. However, your OTC purchases may have some restrictions. OTC drugs and medicines require a prescription from a physician to be reimbursed through your Medical FSA. However, there are still 27,000 OTC medical products and supplies that can be reimbursed through your Medical FSA without requiring a prescription. The following is a sample list of OTC medical products that may be reimbursed through your Medical FSA.

NO PRESCRIPTION REQUIRED	PRESCRIPTION REQUIRED	NEVER ELIGIBLE
Alcohol Wipes Band Aids Blood Pressure Monitor Braces & Supports Breathe Right Strips Canes Catheters Colostomy Products Contact Lens Supplies & Solution Contraceptives Defibrillators Denture Adhesives First Aid Kits Glucose Meters Home Screening Tests (Cancer, Cholesterol, Fertility, Hepatitis C, HIV, Pregnancy, Prostate, Thyroid) Hot & Cold Packs Insulin & Diabetic Supplies Liquid Adhesive Medicated Bandages Reading Glasses Sleeping/Snoring Appliances Wheelchairs & Walkers	Acne Medications Anti-Inflammatory Treatments Anti-Itch Treatments Antifungal Treatments Antiseptics & Topical Antibiotics Allergy, Cold, Flu, and Cough Medications Asthma Medications Birth Control Bunion/Blister Treatments Cold Sore & Fever Blister Medications Corn & Callus Removal Medications Diaper Rash Ointment Digestion/Gas Aids Ear Drops Eye Drops Hydrogen Peroxide, Iodine Laxatives Lice Control Motion Sickness Tablets Nasal Sprays, Drops & Strips Nicotine Gum or Patches Oral Pain Remedies Pain Relievers Sinus Medications Sleeping Medicines Throat Pain Remedies Wart Removal Medications *Herbs *Herbal Remedies *Minerals *Other Natural Remedies *Supplements *Vitamins	Aromatherapy products Baby bottles, cups, oil, wipes Cosmetics Cotton swabs or pads Deodorants and antiperspirants Diapers Facial care Feminine care Food (of any type) Fragrances Hair re-growth Dietary foods Oral care (e.g. Sonicare) Shampoo and conditioner Skin care Spa salts Sun tanning products Toothbrushes

* = Requires a Letter of Medical Necessity from your Doctor

DEPENDENT CARE SPENDING ACCOUNT (DCFSA)

WHAT IS THE MAXIMUM I CAN ELECT?

The maximum you can elect is **\$5,000** per plan year (\$0 minimum).

The maximum tax exclusion permitted during a 12-month calendar year is \$5,000 per individual taxpayer or married couple filing a joint tax return. The maximum amount permitted could be reduced under the following circumstances: (1) If you are married and file a separate tax return, the maximum you may elect is \$2,500; (2) If your spouse earns less than \$5,000, you may not elect more than your spouse earns during the Plan Year; (3) If your spouse is a full-time student or incapable of self-care, the maximum you may elect is \$3,000 for one child in day care or \$5,000 if you have two or more children in day care.

CAN I BE REIMBURSED MORE THAN I'VE HAD DEDUCTED FROM MY PAYCHECK?

At no time can you be reimbursed more than you have actually contributed to your account through payroll deduction.

HOW DO I USE THE DEPENDENT CARE FSA?

The Dependent Care FSA allows you to be reimbursed for custodial or day care expenses for children that are your federal tax dependents under age 13, or for a disabled adult federal tax dependent that lives with you, so that you and your spouse (if applicable) can work, attend school or actively look for work.

Your daycare provider may not be your dependent or child under the age of 19.

Only the Custodial Parent is eligible to participate in the Dependent Care FSA. In the case of divorce, the Custodial Parent is the parent with whom the child lives for MORE THAN 50% of the year. Only one parent can qualify as the Custodial Parent.

QUALIFIED DAYCARE EXPENSES INCLUDE:

- Actual reportable ("above the table") daycare expenses incurred during the plan year (separate fees for services such as transportation, meals, classes, lessons, trips or supplies are not reimbursable unless the charges are included as part of your base fee – not itemized.)
- Day camps, including day camps that focus on specific activities such as sports and arts (overnight camps are excluded even if the camp apportions the day camp and overnight charges.)
- Educational (tuition) charges for kindergarten and over are NOT eligible for reimbursement.
- The maximum amount you may elect is reduced for couples that file separate returns, when one spouse is a student or when a spouse earns little or no income.
- Determine your election amount for the entire plan year. Do NOT elect more than your actual expenses. Your annual election is then deducted pre-tax from your pay in equal installments throughout the plan year.

WHAT IF THE AMOUNT OF MY DAYCARE EXPENSE CHANGES DURING THE YEAR?

In most cases, if you experience a change of status, or the cost for care changes during the plan year, you may be permitted to adjust your election. However, there are significant restrictions. Therefore, you need to choose your election wisely because you will not be permitted to change your election simply because you elect too much, make a mistake, or even if you just decide to change to a less expensive provider. In any event, you must notify your employer within 30 days of the event that is causing the change. Please refer to your SPD for additional details.

WHICH IS BETTER, THE DEPENDENT CARE FSA OR THE FEDERAL TAX CREDIT?

Generally, the FSA is much better but it depends on a combination of your income, whether you have one or two children in care, and how much you pay for care. The credit is calculated as a percentage of your day care expense. The percentage that you receive depends on your Adjusted Gross Income (AGI). Use the following chart to locate your percentage. To determine the value of your credit, multiply your percentage by the LESSER of the amount you pay for day care or \$3,000 if you have one child in care or \$6,000 if you have two or more children in care.

For example, if your AGI is \$60,000 and you spend \$5,000 for the care of one child, your credit will be \$600 (20% of \$3,000). Conversely, if you use the FSA, you could expect to save as much as \$2,000 in taxes on the same \$5,000 expense. This is why most families choose to participate in the Dependent Care FSA.

For additional information on your estimated federal tax credit based on your AGI please review [IRS Publication 503, Child and Dependent Care Expenses](#).

WHAT IS THE LAST DATE I CAN SUBMIT DEPENDENT CARE FSA CLAIMS FOR THE PLAN YEAR?

If you are an active participant on the last day of the plan year, your designated final filing date is **March 31, 2020**. Please keep in mind that any unused amount left in your account is forfeited at the end of the plan year. This rule is commonly known as "use it or lose it."

WHAT HAPPENS IF MY EMPLOYMENT TERMINATES OR I LOSE ELIGIBILITY TO PARTICIPATE IN THE PLAN(S)?

Benefits will not be payable for services rendered after **the last day of the plan year during which** you lost your eligibility to participate.

HEALTH SAVINGS ACCOUNT (HSA)

WHAT IS AN HSA?

An HSA is an account that allows you to set aside tax-free dollars that can be used to pay for qualified medical, dental and vision related expenses.

WHO IS ELIGIBLE TO HAVE AN HSA?

You are eligible to open and make contributions to an HSA if the following circumstances exist:

- You are covered under a qualifying "High Deductible Health Plan" ("HDHP");
- You are NOT covered under another medical plan that is NOT an HDHP;
- You are not "entitled" (meaning covered) under Medicare; and,
- You are not claimed as a tax dependent by another taxpayer.

WHAT ARE THE TAX BENEFITS OF HAVING AN HSA?

Employer contributions made to an HSA are generally non-taxable (similar to health insurance premiums that your employer pays on your behalf)

In almost all cases, payroll contributions that you make to an HSA are "Federal Tax Free". This means you pay no Federal income tax, no Social Security Tax and no Medicare tax on payroll contributions to an HSA account.

You may also make contributions to your HSA outside your employer's payroll (meaning you may transfer funds from a personal bank account directly into your HSA). If you deposit money in this manner, you will receive an "above the line" deduction on those monies when you file your tax return for the year.

Most states also waive state income taxes on HSA contributions. The three states that DO NOT currently permit a state tax deduction are Alabama, California and New Jersey. If you are taxed on income in these three states, you will pay state tax on HSA contributions (but you will still receive the Federal tax benefits).

WHAT IS THE MAXIMUM MONTHLY CONTRIBUTION FOR 2019?

Individual Coverage: \$291.66 per month (\$3,500.00 for the full calendar year)

Family Coverage: \$583.33 per month (\$7,000.00 for the full calendar year)

If you are age 55 or older, you may make an additional contribution of \$83.33 per month (\$1,000 for the full calendar year)

The maximum annual contribution to an HSA is the sum of the monthly contribution limits determined separately for each month, based on eligibility and health plan coverage on the first day of the month. For this purpose, the monthly limit is 1/12 of the annual indexed amount for individual coverage or family coverage. Under the Full Contribution Rule, if you start your HSA during the calendar year, you may contribute the entire annual maximum permitted.

However, if you take advantage of the Full Contribution Rule in the year you first open your HSA, there is a significant penalty if you do not remain eligible for the HSA through December 31st of the following calendar year. (For example, if you open your HSA on July 1, 2019 and contribute the full 2018 maximum, you must remain eligible for the HSA through the entirety of the NEXT calendar year – i.e. through December 31, 2020.) If you do not remain eligible (generally meaning you stop being covered under an HDHP medical plan sometime during the next year), you will be taxed and required to pay a penalty on the excess amount you contributed.

DOES MY EMPLOYER MAKE A CONTRIBUTION TO MY HSA?

Yes! Upon qualification, your employer may contribute to your HSA account. The maximum monthly contribution **INCLUDES** your employer contribution.

IF MY SPOUSE AND I BOTH HAVE FAMILY HDHP COVERAGE, CAN WE EACH CONTRIBUTE THE FAMILY MAXIMUM?

No. The family contribution is the most you can contribute as a family unit.

However, it is possible for a couple to make two catch-up contributions. To do this, the couple must each have their own HSA and both be age 55 or older.

WHAT EXPENSES CAN BE PAID TAX-FREE FROM AN HSA?

In general, you may use tax-free HSA funds to pay for (or reimburse you for) "qualified medical expenses" as defined under Section 213(d) of the Internal Revenue Code (IRC). For the most part, this means anything you spend for legal, "medically necessary" medical, dental & vision relation treatment. IRS Publication 969: <http://www.irs.gov/pub/irs-pdf/p969.pdf> and IRS Publication 502: <http://www.irs.gov/pub/irs-pdf/p502.pdf> are great sources of information to help you understand what is and is not qualified under an HSA.

In addition to paying for the cost of qualified care, you may use tax-free HSA funds to pay for:

- Qualified out-of-pocket long-term care services;

- Premiums of continuation coverage under COBRA or USERRA for you, your spouse and your dependent children;

- Premiums for a long term care insurance contract (limitations apply);

- Premiums for health insurance maintained while receiving unemployment compensation under Federal or State law; or,

- HSA account owners over age 65, premiums for health insurance (e.g. retiree medical coverage) other than a Medicare Supplemental policy.

CAN I BE REIMBURSED THROUGH HSA FOR MEDICAL EXPENSES INCURRED BY MY FAMILY MEMBERS?

Yes! You may save taxes on all qualified medical expenses incurred by you, your spouse, and your federal tax dependents even if they are not covered under your HDHP medical insurance.

You may **NOT** be reimbursed for expenses incurred by a domestic partner unless your domestic partner is your federal tax dependent. In addition, you may not use your HSA funds to pay for the expenses of an "Adult Child" who is no longer your federal tax dependent, even if the child is covered under your medical plan.

HOW OFTEN CAN I CHANGE MY HSA ELECTION?

You may submit HSA payroll contribution changes at any time to be implemented on the next open pay date. Payroll contribution changes must be made by completing the **HSA Employee Payroll Contribution Change Form** and submitting to your employer by the appropriate deadline.

DOES OUR HSA PLAN INCLUDE A DEBIT CARD?

Yes! New participants will receive two debit cards at no cost. You may provide the second debit card to your spouse or adult dependent, or keep the second card as an alternate card to use, just in case.

If you order a third card or a replacement for a lost/stolen card, a **\$10** fee will be paid by the **Participant**.

DO NOT throw away your debit cards even if you exhaust your account(s). The debit cards are valid for up to 3 years at a time and are reloadable. If you throw away your debit card before it expires, a fee will be charged when you order a new card.

Your BASIC pacific debit card can be used to pay for qualified services at providers that accept VISA or by using your PIN (Personal Identification Number). To obtain a personal PIN for your BASIC pacific debit card, call 1-866-898-9795 and the automated system will walk you through the process.

The maximum that you may swipe your debit card at any time for an HSA purchase is \$5,000 (or the amount available in your cash balance account, if less), with a \$10,000 daily debit card swipe maximum.

Your debit card can **NOT** be used to withdraw cash at an ATM.

WHAT IS THE MONTHLY FEE TO PARTICIPATE IN THE HSA?

The fee is paid by your employer as long as you remain eligible to participate.

HOW DO I OPEN A NEW HSA PLAN?

Upon qualification, you will initially open your personal HSA (bank account) by completing the **HSA Enrollment Form**. Election instructions and/or forms are provided separately by your employer.

WHO IS THE CUSTODIAN (I.E. BANK) FOR MY HSA?

While BASIC pacific is the Third-Party Administrator for the HSA, BASIC pacific is NOT the bank that holds your HSA funds.

The HSA Custodian is Healthcare Bank, a division of Bell State Bank & Trust (member FDIC). Healthcare Bank is one of the largest HSA providers in the country, with combined assets of more than 2 billion dollars.

CAN I INVEST MY HSA FUNDS?

You are eligible to invest a portion of your HSA funds in excess of \$2,000.

You may access the investment portal from your BASIC pacific home page and select funds in which to invest your excess balance. A list of current funds with recent yields is available for your review and may be accessed online or by contacting BASIC pacific.

AM I TAXED ON THE INTEREST I EARN IN MY HSA?

No. All interest earned and mutual fund earnings are Federal tax-free. In addition, interest earnings and mutual fund growth are tax free for almost all states (except Alabama, California & New Jersey currently).

AM I TAXED ON HSA FUNDS THAT I WITHDRAW (REFERRED TO AS DISTRIBUTIONS)?

All distributions from an HSA (which include using your HSA debit card) are 100% tax free if the money is used to pay for an eligible expense.

If you distribute funds for a non-eligible expense prior to age 65, you are required to pay taxes plus a 20% penalty.

After age 65, distributions on non-eligible expenses will be taxed but no penalty will apply.

HOW DO I NAME BENEFICIARIES FOR MY HSA?

If you are married, you must make your spouse the sole Primary Beneficiary (unless your spouse voluntarily relinquishes this right.) If you are not married, you may name any person or institution you like as your Primary

Beneficiary. In addition, you may name one or more Contingent Beneficiaries should your Primary Beneficiary predecease you.

In the event of your death, the HSA passes directly to your spouse and becomes their HSA. If you are not married, the HSA will be liquidated and proceeds will be disbursed to your beneficiaries.

CAN I PARTICIPATE IN A HSA (HEALTH SAVINGS ACCOUNT) AND MEDICAL FSA AT THE SAME TIME?

You may not make contributions to an HSA in any year during which you are a participant in a General Purpose ("Full") Medical FSA, even if you have exhausted your available funds in the Full Medical FSA. For example, in almost all cases, if your spouse enrolls in a Medical FSA at their work for the calendar 2019 plan year, neither you nor your spouse may make contributions (or receive contributions from an employer) into an HSA. This is true even if your spouse does not use FSA funds to reimburse expenses incurred by you. Additionally, this is true even if your spouse exhausts their available FSA funds before the end of the plan year. In this situation, you will have to wait until the next plan year to start making contributions to an HSA.

However, if your Flexible Benefit Plan offers a Limited Purpose FSA (in general, this is a FSA that will only reimburse dental and vision related expenses), you may participate in the Limited Purpose FSA and make contributions to an HSA (or your spouse's HSA) at the same time.

CAN I REQUEST DISTRIBUTION FOR MORE THAN MY HSA ACCOUNT BALANCE?

At no time can you be reimbursed more than you have actually contributed to your account.

WHAT HAPPENS IF MY EMPLOYMENT TERMINATES OR I LOSE ELIGIBILITY TO PARTICIPATE IN THE HSA?

You may retain your HSA with BASIC pacific if you terminate employment or otherwise lose your eligibility to participate. BASIC pacific will deduct a monthly fee of **\$4.00** (subject to change) directly from your HSA account. Further, if you retain qualifying HDHP medical coverage (whether under COBRA or through another employer), you will be permitted to continue making tax favored contributions to your HSA.

As an alternative, you may transfer your BASIC pacific HSA balance to an HSA of your choice.

CAN I TERMINATE MY PARTICIPATION IN A MEDICAL FSA AT ANY TIME IF I WANT TO START CONTRIBUTING TO AN HSA?

No. If you are in a Full Medical FSA (or your spouse is in a Full Medical FSA at their work), you may not make contributions to an HSA (or receive contributions from your employer) until the next plan year. If you think you may want to start making contributions to an HSA during your FSA plan year, you should not enroll in the Full Medical FSA. However, you can enroll in the Limited Use FSA (i.e. dental/vision).

I HAVE A FULL MEDICAL FSA AND OUR PLAN INCLUDES THE 2 ½ MONTH GRACE PERIOD. CAN I STILL ENROLL IN THE HSA AT THE BEGINNING OF NEXT PLAN YEAR?

Possibly. If you are a participant in a Full Medical FSA that includes the 2½ month Grace Period feature, your FSA account balance must be \$0 on the last day of the plan year in order to start making HSA contributions on the first day of the next plan year. Otherwise, you must wait until the first of the month following the end of your Grace Period to start making HSA contributions. For example, let's say you are a Medical FSA participant for the 2018 calendar year and your plan includes the 2½ month Grace Period. In this example, if you want to start making HSA contributions as of January 1, 2019, your Medical FSA must be completely cleaned out no later than December 31, 2018 (meaning the money is actually paid out). If you have a remaining balance of even 1 penny after December 31st, you may not start making contributions (or receiving employer contributions) until April 1, 2019.

WHEN CAN I START USING MY HSA TO PAY FOR QUALIFIED EXPENSES?

Once you open your HSA, you may use it to pay for any qualified expense that is "incurred" after that date. Incurred means the date the service was rendered without regard for when you paid. For example, if you open your HSA and make your initial contribution on July 1, 2019, you may reimburse yourself for any expense incurred after July 1 from your HSA. Extending this example, if you get a dental filling on June 15, 2019 and pay \$100 for that filling on July 15, 2019, you MAY NOT withdraw the funds tax-free from your HSA tax free (because the expense was "incurred" before your HSA was open).

WHAT WILL HAPPEN IF I USE MY HSA TO PAY FOR INELIGIBLE EXPENSES?

When you file your tax return, you must report the amount you withdrew (including debit card swipes) for eligible and non-eligible expenses.

Prior to age 65, any amount you withdraw for non-eligible expenses will be taxed plus you will be charged an additional 20% penalty.

Once you turn age 65, the 20% penalty will no longer apply and you will only be charged taxes on withdraws for non-eligible expenses.

DO I HAVE TO PAY FOR AN ELIGIBLE MEDICAL EXPENSE OUT OF MY HSA IN THE SAME CALENDAR YEAR THE EXPENSE WAS INCURRED (MEANING THE DATE THE SERVICE WAS ACTUALLY RENDERED)?

No. One of the great benefits of your HSA is that you can accumulate qualified expenses over a period of years and then take a tax-free distribution in the future.

Let's say you open your HSA on January 1, 2019. If you do this, then all your qualified expenses that are incurred January 1 or later may be paid for or reimbursed to you from your HSA.

However, instead of using your HSA funds right away, you can pay for these expenses another way and accumulate the receipts for a future distribution.

For example, if you have \$1,000 of qualified expenses each year for the next 20 years, you could accumulate all those records and take a one-time \$20,000 tax free distribution in the future. Of course, you have to find a way to pay for the \$1,000 in expenses each year, using after-tax money (net pay). But if you can afford this approach, it can pay large dividends down the road.