

Flexibility With Money Saving Benefits

Manley Services Healthcare FSA



About the Flexible Spending Account

No matter what you call them—flex spending accounts, cafeteria plans, Section 125 plans—if you've ever offered your employees an FSA, you know how they can save money for both your business and your employees. As an employer, you save on payroll taxes while giving your employees a valuable fringe benefit. Meanwhile, your employees increase their spendable income by taking advantage of tax breaks, while enjoying more choice and control in managing their healthcare expenses. When FSAs are used to their full advantage, everyone wins.

A healthcare FSA from Manley Services, a PacificSource company, is the perfect complement to a consumer-directed health plan like a Preferred HSA plan. Whether you're currently using an FSA or not, you'll want to consider offering an FSA to increase employee satisfaction with the plan and give your members greater control over their care and their finances.

How it Works

- Because it's a voluntary benefit, FSA participation is optional. Interested employees decide how much per pay period they'll contribute to the FSA.
- That amount is then payroll deducted from their gross (pre-tax) wages and deposited directly into the account. The money is deducted from the employee's wages before taxes, so their taxable income will be lower, reducing their federal, state, and social security taxes.
- Employees use the tax-free money in the FSA to pay for eligible healthcare expenses. Some employers offer the service of using a Benny™ Card, a special purpose debit card.
- By participating, employees are effectively reducing their taxable salaries. This translates into more spendable income for your employees plus substantially lower FICA taxes for your company.
- Unlike the HRA, FSA funds do not roll over from year to year. Any unused FSA funds are forfeited back to your company.

- The FSA is a perfect complement to your Preferred HSA plan because it helps fill the gaps in the plan's coverage. Members can use their FSA to pay for:

Healthcare expenses not covered by your insurance plan (see list on reverse)

Coinsurance and deductible expenses after HRA funds are depleted

FSA and HRA: How They Work Together

The account's debit card, called a Benny™ Card, lets members access both the FSA and the HRA with a single card. In most cases, if you offer your employees both an HRA and an FSA, the HRA account will be tapped first. If an expense is allowed under the HRA and the HRA has an available balance, then HRA funds will be used. If the HRA account is exhausted or the expense is not allowed under the HRA, then the FSA account will be tapped. If both accounts are exhausted, the transaction will be denied at the point of purchase.

continued on reverse



Customer Service—For Both You and Your Employees

Manley Services, a PacificSource company, will handle your FSA enrollment and administration. With more than 15 years experience, Manley Services has provided flexible spending accounts to over 1,300 organizations in Oregon, Idaho, Washington, California, and Colorado. Manley handles all the details, including meetings with all employees in which they explain the benefits and risks that may be involved in participating in the plan. They'll provide all necessary enrollment materials, and assist you in customizing informational materials for your organization.

After enrollment, employees will have online access to their account information and balance, as well as a toll-free number to call with any questions.

Tax Saving Example

The following illustrates how you and your employees can save on taxes with a healthcare FSA. In this example, the employer has 40 FSA participants contributing an average of \$110 per month each. Of course, actual savings depends on your company's participation level.

This example is for illustrative purposes only and may not represent your actual tax obligations. You should consult your own tax professional for specific information on your organization's potential savings.

Employer's Savings

Average Monthly Payroll Reduction per Participant	\$110.00
Number of Participants	x 40
Total Monthly Payroll Reduction	= \$4,400.00
Employer's Monthly FICA Savings (\$4,400 x .0765*)	= \$336.60
Employer's Annual FICA Savings (\$336.60 x 12)	= \$4,039.20

Member's Tax Savings

Monthly Salary	\$2,500.00
Monthly Payroll Reduction for FSA	\$110.00
Member's Monthly Tax Savings (\$110 x .27**)	= \$29.70
Member's Annual Tax Savings (\$29.70 x 12)	= \$356.40

* Employer's FICA savings calculated at 7.65%.

** Member's savings based on 27% income tax.

Examples of FSA-Eligible Expenses

The following, while not intended to be a complete list, illustrates the type of health-related expenses that may be reimbursed under your FSA. To be eligible for coverage, the service must be medically necessary.

- Acupuncture
- Ambulance service
- Birth control pills
- Birth prevention surgery
- Braces
- Chiropractic care
- Copays
- Crutches
- Deductibles
- Dental care and dentures
- Diabetic supplies
- Diagnostic fees
- Elective surgery (but not cosmetic)
- Hearing devices and batteries
- Home improvements for medically necessary reasons
- Hospital charges
- Massage therapy
- Medical monitoring/testing devices
- Mental health care
- Naturopathic care
- Nurse care
- Obstetrical expenses
- Orthodontia
- Orthopedic shoes
- Over-the-counter medications
- Physician care
- Prescribed medicine
- Psychiatrist and psychologist care
- Routine physical and other non-diagnostic services and treatments
- Surgery
- Therapeutic care for chemical dependency treatment
- Therapy treatments
- Transportation expenses primarily for medical service
- Vision care (eyeglasses, contact lenses and supplies, prescription sunglasses, reading glasses, laser eye surgery, and exam fees)
- Wheelchairs
- X-rays

Questions? If you need more information about Healthcare Flexible Spending Accounts, please contact Manley Services: 541.458.7488 or toll-free 800.422.7038



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