Get Started with Flexible Benefits

Discovery Benefits®
simplify.℠

www.DiscoveryBenefits.com

Give yourself a pay raise.

Use flexible benefits to bring home more of your paycheck.

Who couldn't use a little more money? That's what you'll receive when you take advantage of a flexible spending account (FSA).

An FSA allows you to set aside a portion of your salary, before taxes, to pay for qualified medical or dependent care expenses. Because that portion of your income is not taxed, you end up with more money in your pocket.

Follow these three steps and start making plans for that extra money you'll bring home.

Three simple steps to a successful FSA:

1. Plan—how much money you want to set aside
2. Spend—on dependent care and out-of-pocket medical expenses
3. Collect—the money you've set aside

Get started today. Enroll at **www.DiscoveryBenefits.com.**
It's a great perk from your employer and it'll save you money.

Two ways to save money.

Use a flexible spending account to set aside money for medical or dependent care expenses.

1. Health FSA—set aside money to pay expenses not covered by your medical insurance. There are two types of accounts:

- If you have traditional medical insurance, you'll use a regular Health FSA for things like coinsurance, prescriptions and medical equipment.
- If you have a high deductible health plan (HDHP) along with a health savings account (HSA), you'll use a Limited Health FSA to pay some out-of-pocket expenses until your annual deductible is met. (See your summary plan description for details.)

2. Dependent Care Account (DCA)—set aside money for dependent care for children up to age 13, a disabled dependent of any age or a disabled spouse. To be eligible for this type of account, both you and your spouse (if applicable) must work, be looking for work or be full-time students.

Tax considerations for your family.

Determine whether you benefit more from a DCA or by taking the dependent care tax credit.

- The DCA contribution maximum is $5,000/yr.
- The tax credit limit for one child is $3,000/yr, the limit for two or more children is $6,000/year.
- If you have one dependent and spend more than the $3,000 in day care expenses, you'll benefit from the DCA.
- If you have two or more dependents and spend more than the $6,000 in day care expenses, you'll benefit more by putting $5,000 into the DCA and applying the remaining $1,000 to the tax credit.

Generally, if your family's adjusted gross income is less than $39,000 a year, it's best for you to take the tax credit rather than participating in the DCA.

Meet the Metzgers

Mom and dad both work outside the home. One child attends school; the other goes to a home day care. Together they make $7,500 per month and claim four exemptions on their income taxes. Look at their take-home pay:

	With an FSA	Without an FSA
Gross monthly salary	$7,500	$7,500
Health FSA contribution	$208	$0
DCA contribution	$416	$0
Taxable income	$6,876	$7,500
Taxes	$2,407	$2,625
Net pay	$4,469	$4,875
Post tax medical expenses	$0	$208
Post tax dependent care expenses	$0	$416
Monthly Income	**$4,469**	**$4,251**

The Metzgers saved *$218/month or $2,616/year!*

ONE

Step One: Plan

Use these worksheets to estimate your spending.

Each year during your company's open enrollment period, you'll have the opportunity to enroll or change your FSA contributions. Being prepared will help you realize the greatest savings.

Things to consider as you plan:

- Be conservative in your estimate. The IRS has a "use or lose" rule which states that you lose any leftover balance in your account at the end of the plan year.
- Your employer may offer a grace period to use your remaining balance. Refer to your plan's summary plan description (SPD).
- Most employers set a maximum contribution amount for your Health FSA. Ask your employer to make sure you're within the limits of your program.

Health FSA Worksheet

Keep these things in mind:

- Use the money in this account to pay for the diagnosis, cure, prevention or treatment of a disease.
- Expenses cannot be reimbursed by insurance or any other source.
- Be conservative. If you don't use the money in your account within the plan year, you lose it.
- You cannot change, midyear, the amount you set aside unless there is an IRS-approved status change event.
- For a Limited Health FSA, record only expenses for vision, dental and preventive care. (You can use your HSA for other eligible medical expenses, if offered by employer and stated in your SPD.)

Insurance deductibles	$ _____
Co-pays/coinsurance	$ _____
Exams	$ _____
Prescription drugs	$ _____
Diabetic supplies	$ _____
Chiropractic	$ _____
*Over-the-counter medicines	$ _____
Hearing exams	$ _____
Hearing aid	$ _____
Hearing aid battery	$ _____
Dental fillings, bridges, crowns	$ _____
Dentures	$ _____
Orthodontia	$ _____
Vision exams	$ _____
Glasses (lenses and frames)	$ _____
Contact lenses	$ _____
Contact lens solution	$ _____
Corrective eye surgery	$ _____
Total: Amount to set aside	**$** _____
Divide by # of paychecks/year	**$** _____

Dependent Care Account Worksheet

Keep these things in mind:

- $5,000 annual maximum per household .
- Record expenses for dependent children under age 13 who you claim on your taxes, or a disabled spouse or dependent of any age.
- To qualify, you and your spouse must be employed, or your spouse must be a full-time student or looking for work.
- Be conservative. If you don't use the money in your account within the plan year, you lose it.
- Once the plan year has started, you cannot change your election unless there is an IRS-approved status change event.

January	$ _____
February	$ _____
March	$ _____
April	$ _____
May	$ _____
June	$ _____
July	$ _____
August	$ _____
September	$ _____
October	$ _____
November	$ _____
December	$ _____
Total: Amount to set aside	**$** _____
Divide by # of paychecks/year	**$** _____

***A few of you use your FSA to purchase over-the-counter (OTC) medications...**
As a result of Health Care Reform, the IRS will require a prescription for OTC medication to be eligible for reimbursement. This change is for medicine purchased on January 1, 2011 or later. Go to www.DiscoveryBenefits.com for other reform updates.

Step Two: Spend

Use the money you've set aside throughout the plan year.

Medical expenses—a list of items typically eligible*

Acupuncture
Alcoholism treatment
Ambulance
Artificial limbs
Artificial teeth
Birth control
Braces
Braille books and magazines
Special car hand controls/special car equipment for a disability
Chiropractor's fees
Christian Science practitioners' fees
Contact lenses
Contact lens solution
Crutches
Dental fees (not cosmetic)
Diagnostic fees
Drug addiction
Eyeglasses
Eye exams
Guide dog
Health club membership dues**
Health institute
Hearing aids
Hearing aid batteries
Hospital services
Immunizations
Insulin
Laboratory fees
Lead-based paint removal
Learning disability treatment
Medical services
Nursing services
Operations
Osteopathic physician appointments
Over-the-counter medications**
Oxygen
Prescription drugs
Psychiatric care
Psychoanalyses
Psychologist visits
Sterilization
Telephone for hearing impaired
Television for hearing impaired
Therapy**
Transplants (organ)
Transportation
Vitamins**
Weight loss programs* (not food)
Wheelchair
X-ray

**These expenses may require documentation of medical necessity.

Medical expenses—a list of items typically ineligible*

Babysitting and childcare
Bleaching teeth (cosmetic)
Cosmetic surgery
Dancing lessons
Diaper service
Electrolysis
Face lifts
Feminine hygiene products
Food
Funeral expenses
Hair transplants
Household help
Illegal operations or treatments
Insurance premiums
Laetrile
Liposuction
Marijuana used medically
Maternity clothes
Prescription drugs considered cosmetic
Rogaine
Swimming lessons
Any expense not considered "medically necessary" by IRS
Expenses for general health, even if doctor-prescribed

Keep this in mind:

- The date of your medical service—not the billing date—determines the plan year from which the expense can be reimbursed. Ask your company's benefits administrator the start and end dates of your plan year.
- Your full annual election amount for the Health FSA is available at any time during the plan year, regardless of how much you've actually contributed to date.

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Dependent care expenses—what's eligible:

- Care for children under age 13 who are claimed as dependents for tax purposes
- Disabled spouse or dependent of any age

Dependent care expenses—what's not eligible:

- Costs already claimed as a dependent care tax credit on your tax return
- Nursing home, respite care or other residential care centers
- Services provided by one of your dependents
- Expenses while on vacation

Keep this in mind:

- The IRS allows changes to your dependent care account throughout the plan year:
  - If you change day care providers
  - When your child turns age 13
  - If the cost of qualified day care expenses increases or decreases
- If you submit receipts totaling more than you've contributed to your account, you'll be reimbursed only the balance in your account. If you choose, the remainder will be issued automatically as the funds become available.

Choose the way you pay for eligible expenses.

Pay upfront and get reimbursed.

- Pay for services and products.
- Submit reimbursement, proof of purchase and dates and type of service (also called substantiation).
- Have your funds automatically deposited into your checking or savings account, or receive a check.

OR

Pay eligible expenses with your Discovery Benefits Debit Card.

- Use your Discovery Benefits Debit Card to pay for eligible services and products.
  - Payments are automatically withdrawn from your FSA, so you don't incur out-of-pocket costs.
- Discovery Benefits Debit Card purchases need to be verified to satisfy the IRS. Some merchants can provide all the IRS-required information right at the point of sale. Other purchases will need to be verified with receipts and dates and type of service.
  - Learn more about substantiation on the following pages.
- Receive two cards when you enroll.
  - Request additional cards for your spouse and dependents 18 years of age or older for free.
  - No fee for replacing lost or stolen cards.

THREE

Step Three: Verify and Collect

Substantiation is key to success with your FSA.

For medical expenses, the IRS requires you to substantiate:

- Date service was received or purchase made
- Description of service or item purchased
- Dollar amount
- Provider or store name
- In some cases, a Medical Necessity Form or physician letter may be required

NOTE: In some cases, the plan's design requires that your health insurer's explanation of benefits (EOB) is provided as substantiation for your expense. If you receive a receipt from your provider for a copay amount, make sure the receipt says "copay." If not, ask your provider to write "copay" on your receipt before leaving the office.

Vague or missing information causes your reimbursements to be held up or become ineligible. Hang on to your receipts and documentation.

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For dependent care expenses, the IRS requires you to substantiate:

- Dates of service
- Dollar amount incurred
- Day care provider name
- Day care provider signature

NOTE: Day care expenses must be incurred (not just paid) in order to receive reimbursement. Registration fees cannot be reimbursed until the services are actually incurred. You will be required to report your dependent care provider's Tax ID (TIN) or SSN on IRS Form 2441 when you file your federal income tax return.

Vague or missing information causes your reimbursements to be held up or become ineligible. Hang on to your receipts and documentation.

Verifying your Discovery Benefits Debit Card

For both medical and dependent care purchases made on your Discovery Benefits Debit Card, the IRS requires the expense be verified.

Some of those purchases can be verified electronically right at the point of purchase, so there's no need for additional substantiation.

- Look for pharmacies and drug stores that have the Inventory Information Approval System (IIAS) or meet the IRS 90% rule.
  - Find current lists of IIAS merchants and "90%" drug stores online at www.DiscoveryBenefits.com.
  - In some cases, a Medical Necessity Form may be required if the expense is considered both a medical expense and a general use item.
  - Hang on to receipts in case you are later asked for verification of the purchase.
  - You can upload and save receipts in your online account.

Other card purchases will require additional substantiation because the providers don't typically have the IIAS in place. They include:

- Doctor's offices
- Hospitals
- Clinics
- Dental providers
- Vision/optical facilities
- Pharmacies and drug stores without an IIAS

Helpful hint on using your card:

Don't use the card for amounts that still need to be processed by insurance, such as deductibles and coinsurance. When you receive your final statement from the provider showing insurance has been paid, write your Discovery Benefits Debit Card number on the statement and mail it to your provider.

Enrolled in a Limited Health FSA?

You can use your Discovery Benefits Debit Card for dental and vision and/or preventive expenses only. If your plan allows, once you meet your annual deductible, you may use your Limited Health FSA (although not your card) for all eligible IRS expenses. Check your plan description for details about the Limited Health FSA.

THREE

Choose the way you submit your documentation.

- Enter claim information online.
- Upload your receipt.
- Reimbursement will be processed once your substantiation is received.

- Download and print Reimbursement Request form.
- Complete and fax the form along with your substantiation to: 866-451-3245.

- Download and print Reimbursement Request form.

- Download and print Reimbursement Request form.
- Complete and mail form along with your substantiation to:
  Discovery Benefits
  PO Box 2926
  Fargo, ND 58108-2926

Choose your reimbursement method

- Direct deposit
- Check

You'll automatically receive a check unless you enroll in direct deposit.

Mobile apps give participants access anywhere, anytime.

Your privacy

HIPAA (the Health Insurance Portability and Accountability Act) has changed the way we share information. We do not share balances, claims or payments with spouses or anyone else without an assigned authorization form from you. If you decide you want us to share information with someone, simply complete an Authorized Representative Form and send it to us. The authorization is in effect for one year, unless we receive a written request from you to terminate the authorization.

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- File a claim
- Check account balance and claim status
- View account history
- Access administrative forms
- Contact us via email
- Manage your profile

866-451-3399

- Speak to a service representative, M-F 7:00 a.m. to 7:00 p.m. CST
- Get answers to your FSA questions
- Interactive Voice Response (IVR) system for 24/7 access to account balance and claims information
- Be prepared to verify your identity when calling

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