

# **City of Tucson Flexible Spending Plan**

## **Summary Plan Description**

The City of Tucson Flexible Spending Plan is a Cafeteria Plan as defined in Section 125 of the Internal Revenue Code and is designed to permit an Eligible Employee to contribute on a pre-tax salary reduction basis to an account for payment of insurance premiums and reimbursement of certain Medical Care Expenses and Dependent Care Expenses

Inside:

**Important Changes**

**Frequently Asked Questions**

**Health Care Reimbursement Account (HCRA) Plan Summary**

**Dependent Care Reimbursement Account (DCRA) Plan Summary**

**Flexible Spending Account Claims**

**Internet Access**

**General Plan Information**

**Glossary**

**Claim Submission and Filing Instructions**



## **IMPORTANT NOTICES**

1. **Over-the-counter Medicines** - Due to recent federal legislation, you must also provide a copy of a prescription from your doctor for any over-the-counter medicines you wish to claim. This is for medicines only (e.g., allergy medication, aspirin, antacids, etc.). Other over-the-counter items (e.g., contact lens solution, bandages, etc) still remain eligible without a prescription.
2. **Eligible Dependents** - Under the Health Care Reimbursement Account (HCRA), you may now include qualified expenses for your child(ren) who will not reach age 27 on or before the end of the taxable year (in most instances this is December 31<sup>st</sup>). Your child does not need to live with you in order for you to claim his/her health, dental and vision expenses that you have incurred on his/her behalf. Please see IRS Notice 2010-38 for further information.
3. **Online & Mobile Claims** - You can file claims online at: <https://my.asiflex.com>. Simply complete the claim information and then scan and attach the necessary documentation. You will immediately receive a confirmation number after you submit your online claim. You will need your PIN to initially access this secure site and setup a user name, security image, and password. Your PIN will be sent to you in your initial confirmation packet after enrollment. You can also file claims by using your smartphone or tablet. Simply download the free app from the App Store or the Google Play Store. Take a picture of your documentation using your device's camera, answer a few questions about the claim, and submit your claim.

A Flexible Spending Account allows you to avoid paying Federal and State income taxes, and FICA on each dollar that is set aside!  
That means more money in your paycheck!!

## **Frequently Asked Questions**

### **Q. WHAT IS THE CITY OF TUCSON FLEXIBLE SPENDING PLAN?**

The City of Tucson Flexible Spending Plan is a way to pay for health, dental and vision insurance premiums (Premium Payment Plan) and certain out-of-pocket (unreimbursed) Medical Care expenses (Health Care Reimbursement Account) and Dependent Care Expenses (Dependent Care Reimbursement Account) on a BEFORE-TAX basis!

### **Q. WHAT DOES “BEFORE TAX” OR “PRE-TAX” MEAN?**

Deductions through the Plan from your paycheck are exempt from federal and state income tax and Social Security tax. These deductions reduce your taxable income reported on your W-2 and on your income tax returns.

### **Q. WHO CAN PARTICIPATE IN THE CITY OF TUCSON FLEXIBLE SPENDING PLAN?**

Eligibility information is outlined in the Insurance Handbook, posted at [www.tucsonaz.gov/enroll](http://www.tucsonaz.gov/enroll). An employee who enrolls in the Health Care Reimbursement Account must be enrolled in a health plan that meets minimum essential coverage requirements under the Affordable Care Act.

The following classes of employees cannot participate in the City of Tucson Flexible Spending Plan:

- Leased employees( as defined by §414(n) of the Code);

- Employees not eligible to enroll for City medical plan benefits;
- Contract workers and independent contractors;
- Non-benefit eligible temporary employees and casual employees (employees hired short-term to meet specific needs of the City); and
- Individuals paid by a temporary or other employment or staffing agency.

Employees elect annual contributions each year during the Flexible Spending Account open enrollment. Elections may be changed within prescribed deadlines due to qualifying life events, and open enrollment errors may be corrected, as described in the Insurance Handbook at [www.tucsonaz.gov/enroll](http://www.tucsonaz.gov/enroll).

**Q. WHY SHOULD I PARTICIPATE?**

Paying for medical expenses through the Plan can save you a minimum of 25% in taxes on each dollar that you spend. By participating in the Health Care Reimbursement Account (HCRA), you can save on the cost of your share of insurance deductibles, co-pays, or items not covered by insurance. Also, the Dependent Care Reimbursement Account (DCRA) may save you more in taxes than the day-care tax credit (filed with your federal income tax return).

**Q. WHY SHOULD I PARTICIPATE IN THE HEALTH CARE REIMBURSEMENT ACCOUNT IF I ALREADY HAVE MEDICAL INSURANCE?**

The Health Care Reimbursement Account (HCRA) offers a tax break on Medical Care Expenses NOT reimbursed by insurance. For example, the HCRA covers expenses for office visits, eye exams, glasses, drugs and medications used to treat medical conditions and hospital care that is not covered by Medical Insurance (e.g. co-payments).

**Q. HOW MUCH DOES IT COST?**

Administrative costs are paid by City of Tucson

**Q. WHAT IS THE CATCH?**

No catch. Congress approved FSAs in 1978; the Tax Reform Act of 1986 reaffirmed their legitimacy.

**Q. HOW MUCH WILL BE DEDUCTED FROM MY SALARY FOR THE BENEFITS I SELECT?**

Your salary reduction amount for a pay period is an amount equal to the annual contribution for the benefits you elected, divided by the number of remaining pay periods in the Plan Year following your effective date. If you increase an election under the HCRA or DCRA, your salary reductions per pay period will be an amount equal to your new reimbursement limit elected less the salary reductions made prior to such election change, divided by the number of pay periods remaining in the Plan Year beginning with the election change effective date.

Any increase in your election may include only those expenses that are incurred during the period of coverage on or after the effective date of the increase. Your coverage for the remaining period of the year shall be calculated by adding the amount of contributions made prior to the change to the expected contributions after the effective date of the change and subtracting prior reimbursements.

**Q. WHEN CAN I MAKE A CHANGE IN MY ELECTION?**

Generally your elections under the Plans are irrevocable for the Plan Year. However, during certain circumstances described below you may be allowed to change your election.

You may change your election if you, your Spouse, or a Dependent experience an event listed below which results in a gain or loss of eligibility for coverage under the City of Tucson Flexible Spending Plan, or a similar plan maintained by your Spouse's employer or one of your Dependent's employer and your desired election change corresponds with that gain or loss of coverage.

**Events 1 - 4 apply to the HCRA and the DCRA. When these events occur, a change may be made to your election.**

1. Your legal marital status changes through marriage, divorce, death, legal separation or annulment.
2. Your number of Dependents changes by reason of birth, adoption (or placement for adoption), or death. If your child no longer qualifies for Dependent care because he or she turned 13, that is considered a loss of a Dependent under the DCRA, but not under any of the other plans.
3. You, your Spouse or any of your Dependents have a change in employment status that affects eligibility under the City of Tucson Flexible Spending Plan or a plan maintained by your Spouse or any Dependent's employer.
4. One of your Dependents satisfies or ceases to satisfy the requirements for coverage under the City of Tucson's Plan for unmarried Dependents due to attainment of age, student status or any similar circumstances.

**Event 5 applies to the DCRA. When these events occur, a change may be made to your election.**

5. You, your Spouse or one of your Dependents changes residence. Note: All changes in status must be on account of and correspond with a change in status that affects eligibility for coverage under an employer's plan. As an example – in the case of a change in residence, the move would have to cause a change in dependent care expenses in order to change the DCRA.

**Events 6 - 8 apply to the HCRA but not the DCRA. When any of these events take place, a change may be made to your election.**

6. You are served with a judgment, decree or court order, including a Qualified Medical Child Support Order (“QMCSO”) regarding coverage for a Dependent. If the order requires you to pay for insurance and/or medical expenses not paid by insurance for a Dependent child, then you may add or increase coverage under the HCRA. If the order requires that another person pay for insurance and/or medical expenses not paid by insurance for the Dependent child, then you may drop or reduce coverage under the HCRA.
7. If you, your Spouse or a Dependent become entitled to and covered under Medicare or Medicaid, you may drop or reduce coverage under the HCRA.
8. If you, your Spouse or a Dependent lose eligibility and coverage under Medicare or Medicaid, you may add or increase coverage under the HCRA.

**Events 9 - 11 apply only to the DCRA. If any of the following events take place, a change may be made to your election.**

9. You may change your election to correspond with a change made under another employer-sponsored plan as long as the change made under the other plan was permitted by IRS regulations or was made for a period of coverage that is different from the City of Tucson Flexible Spending Plan.

10. You change Dependent care providers (including school or other free provider). You may make a corresponding change to your DCRA and your future salary reductions if you change Dependent care providers.
11. You may make a corresponding change to your DCRA and your future salary reductions if your Dependent care provider who is not your relative changes your costs significantly. A relative is any person who is a child, parent, stepchild, sibling, aunt, uncle, cousin, or in-law of the participant.

The election change request must be filed within 31 days of the date of the qualifying event and becomes effective on the 1st day of the first pay period coinciding with or following the event and the approval of the request. Election changes timely made due to a birth, adoption, or placement for adoption may be effective retroactive to the date of the event. All other election changes can only be made on a prospective basis.

If you have questions call ASI at (800) 659-3035.

**Q. WHAT IF I'M ALREADY IN THE CITY OF TUCSON FLEXIBLE SPENDING PLAN?**

Participation in the HCRA and the DCRA terminates at the end of each Plan Year. You MUST re-enroll each year to continue your participation in the HCRA and the DCRA.

**Q. WHEN DOES PARTICIPATION BEGIN?**

After you satisfy the eligibility requirements described above (new Employees may enroll within 90 days of their eligibility date), you become a Participant by signing an Election Form/Salary Reduction Agreement. The Election Form/Salary Reduction Agreement will be available during the Open Enrollment Period. You must complete the Election Form/Salary Reduction Agreement and return it to the designated personnel within the time period specified in the enrollment materials. If you fail to complete, sign and return an Election Form/Salary Reduction Agreement as required, you will be deemed to have elected cash and will not be able to elect any benefits under the Plan until the next Open Enrollment Period (unless a "Change in Election Event" occurs). Enrollment during the Plan Year is effective the 1st day of the first pay period coincident with or following enrollment.

**Q. WHAT IS THE "OPEN ENROLLMENT PERIOD" AND THE "PLAN YEAR"?**

The Open Enrollment Period is the period prior to the beginning of the Plan Year during which you have an opportunity to elect to participate under the Plan by filling out, signing and returning an Election Form/Salary Reduction Agreement. You will be notified of the timing and duration of the Open Enrollment Period.

You may choose to enroll in one or more of the benefits offered or to receive your entire compensation in cash.

The Plan Year is the 12 months beginning on each January 1, and ending on December 31 of the same calendar year. Additionally, if you are a HCRA participant as of December 31 of the Plan Year, you may continue to incur expenses through March 15<sup>th</sup> to use any remaining funds in that Plan Year just ended; this additional 2 ½ months is referred to as the "grace period". Claims for Health Care expenses incurred during the Grace Period are paid from the oldest year's funds first unless you request otherwise.

**Q. WHAT IF I DON'T USE ALL OF THE MONEY I ELECT IN THE HCRA OR THE DCRA?**

ASI can help you estimate your allowable expenses for the Plan Year.

**You have 90 days from the end of your coverage period to submit claims incurred during the Plan Year.**

Unused Funds: If you have unused funds in your account at the end of the Plan Year, that amount will be retained by City of Tucson to help offset Plan expenses. Remember that if you are still a HCRA participant on December 31<sup>st</sup>, you still have the Grace Period (an additional 2 ½ months) to incur expenses after the end of the Plan Year.

**Q. ARE THERE ANY NEGATIVES THAT I SHOULD KNOW ABOUT?**

Yes, because you are not paying Social Security tax on that portion of your income that has been redirected, your Social Security benefits may be slightly reduced.

Expenses reimbursed by the HCRA may not be deducted on your individual income tax return. Likewise, expenses deducted on your income tax return may not be filed for reimbursement through your HCRA.

Additionally, participation in the DCRA is an alternative to taking a “Tax Credit” allowed with your tax filing each year. You may receive a tax break on your expenses, but you must choose whether to use the “Tax Credit” or the DCRA. The IRS will not allow you to receive two tax breaks on the same expenses.

**Q. WHEN WILL MY PARTICIPATION IN THE PLAN END?**

Your participation will end should you terminate employment with City of Tucson. This means you will no longer be able to make contributions to the Plan.

HCRA Plan: Except as specified in the section on Coverage Continuation (COBRA) in the HCRA Plan Summary, expenses incurred while you are not a participant will not qualify for reimbursement.

DCRA Plan: You may continue to file for Dependent Care Expenses incurred during the Plan Year after the end of your participation.

Your participation will also end at the end of the expiration of the Period of Coverage, if the Plan is terminated, or if you file a false or fraudulent claim for benefits.

If you separate from service with the City for any reason and then are rehired within 30 days or less, you will be reinstated with the same elections that you had before termination. If you are rehired after 30 days following termination and you are otherwise eligible to participate in the Plan, you will be treated as a new hire and may make new elections.

**Q. WHAT IF I GO ON FMLA?**

If you go on FMLA then you can maintain your HCRA but not your DCRA. Please refer to the FMLA paragraph in the HCRA Summary. If your HCRA or DCRA coverage ceases while you are on FMLA leave for any reason (including for non-payment of premiums), then you may re-enter the HCRA or the DCRA upon return from FMLA on the same basis as you were participating prior to the leave. You will be entitled to elect whether to be reinstated in the HCRA or the DCRA at the same coverage level as in effect before the FMLA leave (with increased contributions for the remaining period of coverage) or at a coverage level that is reduced pro-rata for the period of FMLA leave during which you did not pay premiums. If you choose to not continue your coverage during a period of FMLA leave, upon your return from the FMLA leave the amount of your payroll deductions for your HCRA and/or DCRA will remain the same as before your leave.

**Q. HOW CAN I GET ANSWERS TO OTHER QUESTIONS?**

Check ASI's website [www.asiflex.com](http://www.asiflex.com). You can email ASI at [asi@asiflex.com](mailto:asi@asiflex.com) or call ASI toll free at 1-800-659-3035. A representative is available from 7 a.m. to 7 p.m. Central Time Monday through Friday and from 9 a.m. to 1 p.m. Central Time on Saturday.

**Q. HOW QUICKLY WILL MY CITY OF TUCSON FLEXIBLE SPENDING PLAN CLAIMS BE PAID?**

ASI will process your claim no later than three banking days following ASI's receipt of the claim. Valid HCRA claims will be paid on the day processed up to your annual election less prior payments. Valid dependent care claims will be paid on the day processed up to the balance in your DCRA. Any excess dependent care claim will be paid as contributions are received from payroll. If there is a problem with your claim, ASI will notify you on the day the claim is processed either by U.S. Mail or by email.

**Q. WHAT HAPPENS IF MY CLAIM FOR REIMBURSEMENT IS DENIED IN WHOLE OR IN PART?**

If your claim is denied in whole or in part, the Administrator will notify you in writing within 30 days of the date the Administrator received your claim. (This time period may be extended for an additional 15 days for matters beyond the control of the Administrator, including in cases where a claim is incomplete. The Administrator will provide written notice of any extension, including the reasons for the extension and the date by which a decision by the Administrator is expected to be made. When a claim is incomplete, the extension notice will also specifically describe the information required. You will have 45 days from receipt of the notice in which to provide the specified information. Decision on your claim will be suspended until the specified information is provided.) Notice of a denied claim will include:

- (a) The specific reason(s) for the denial;
- (b) The specific Plan provision(s) on which the denial is based;
- (c) A description of any additional material or information necessary for you to validate the claim and an explanation of why such material or information is necessary; and
- (d) Appropriate information on the steps to be taken if you wish to appeal the Administrator's decision, including your right to submit written comments and have them considered, your right to review relevant documents and other information (upon request and at no charge) with respect to any adverse determination upon appeal of your claim.

If your claim is denied in whole or part, you (or your authorized representative) may request review upon written application to the Committee (the Benefits Committee that acts on behalf of the Administrator with respect to appeals). Your appeal must be made in writing within 45 days of your receipt of the notice that the claim was denied. If you do not appeal on time, you will lose the right to appeal the denial and the right to file suit in court. Your written appeal should state the reasons that you feel your claim should not have been denied. It should include any additional facts and/or documentation that you feel supports your claim. You will have the opportunity to ask additional questions and make written comments. You may review (upon request and at no charge) documents and other information relevant to your appeal.

Your appeal will be reviewed and decided by the Committee in a reasonable time no later than 60 days after the Committee receives your request for review. The Committee may, in its sole discretion, hold a hearing on the denied claim. Any medical expert consulted in connection with your appeal will be different from and not subordinate to any expert consulted in connection with the initial claim denial. The identity of the medical expert consulted in connection with your appeal will be provided. If the decision on review affirms the initial denial of your claim, you will be furnished with a notice of adverse benefit determination on review setting forth:

- (a) The specific reason(s) for the decision on review;
- (b) The specific Plan provision(s) on which the decision is based;
- (c) A statement of your right to review relevant documents and other information (upon request and at no charge); if an "internal rule, guideline, protocol, or other similar criterion" is relied on in making the decision on review, a description of the specific rule, guideline, protocol, or other similar criterion or a statement that such a rule, guideline, protocol, or other similar criterion was relied on. A copy of such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request; and

- (d) A statement of your right to bring suit (when applicable).

**Q. IS DIRECT DEPOSIT AVAILABLE?**

Yes. You may have your claims payments sent directly to your checking, money market or savings account. ASI will send a notice of each payment to you. ASI can send this notice via email, if you prefer. Email and direct deposit provide you with the fastest, safest payment method, as well as the fastest notification method.

**Not every expense you may attempt to submit for reimbursement is covered by the Plan.**

**All provisions of this document contain important information.** The document is intended to answer most of the questions you may have regarding your benefits. If you have questions about this Plan or your obligations under the terms of the Plan, be sure to contact the Flexible benefits Claim Administrator. A Quick Reference Chart to sources of help or information about the Plan is located on the following page.

The Plan reserves the right to amend or terminate coverages at any time and for any reason. As the Plan is amended from time to time, you will be sent information explaining the changes. If those later notices describe a benefit or procedure that is different from what is described here, you should rely on the later information. Be sure to keep this document, along with notices of any Plan changes, in a safe and convenient place where you can find and refer to them.

This Flexible Plan **is not** established under and subject to the federal law, Employee Retirement Income Security Act of 1974, as amended, commonly known as ERISA because it is a governmental plan.

This Flexible Plan Document contains a summary in English of your plan rights and benefits. If you have difficulty understanding any part of this document please contact the Flexible benefits Claims Administrator or the Flexible Benefits Plan Administrator at their address and phone number listed on the Quick Reference Chart.

**Spanish Language Assistance:** Pongase en contacto con la oficina de administracion si no entiende los beneficios del Plan al numero 520-791-4597 or 573-442-4435.

**KEEP YOUR PLAN ADMINISTRATOR INFORMED OF ADDRESS CHANGES**

In order to protect your rights, you should keep the Plan Administrator informed of any changes in the addresses of you or your family members. You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Information Needed	Whom to Contact
<p><b>Flexible Benefits Claims Administrator</b></p> <ul style="list-style-type: none"> <li>• Reimbursement for Health FSA and Dependent Care Assistance Program (DCAP) benefits</li> <li>• Claim forms</li> <li>• Claim appeals</li> <li>• Obtain a Debit Card</li> <li>• Questions about benefits or account balances</li> <li>• Claim appeals (Level 1)</li> </ul>	<p><b>ASI Flex</b>            201 W. Broadway, Suite #4C            Columbia, MO 65203            Telephone: 1-800-659-3035            Fax: 573-442-4435            Website: <a href="http://www.asiflex.com">www.asiflex.com</a></p>
<p><b>Plan Administrator for the Flexible Benefits Plan</b></p> <ul style="list-style-type: none"> <li>• Pre-tax premium only plan enrollment form</li> <li>• Health Flexible Spending Account (Health FSA) enrollment form</li> <li>• Dependent Care Assistance Program (DCAP) enrollment form</li> <li>• Questions about eligibility</li> <li>• Payroll deductions</li> <li>• Claim Appeals (Level Two)</li> </ul>	<p><b>City of Tucson Human Resource Director</b>            City of Tucson Benefits Office            Mailing Office:                PO Box 27210 Tucson, AZ 85726            Physical Address                255 W. Alameda, 3rd Floor Tucson, AZ 85701            Phone: 520-791-4597            Fax: 520-791-5942            Email: <a href="mailto:benefitquestions@tucsonaz.gov">benefitquestions@tucsonaz.gov</a>            Website: <a href="http://hr.tucsonaz.gov/insurance">http://hr.tucsonaz.gov/insurance</a></p>
<p><b>COBRA Administrator</b></p> <ul style="list-style-type: none"> <li>• Applicable to the Health Flexible Spending Account (Health FSA)</li> <li>• Enrollment, premium payment and questions about COBRA</li> </ul>	<p><b>City of Tucson Benefits Office</b>            Mailing Office:                PO Box 27210 Tucson, AZ 85726            Physical Address                255 W. Alameda, 3rd Floor Tucson, AZ 85701            Phone: 520-791-4597            Fax: 520-791-5942</p>
<p><b>HIPAA Privacy Officer</b>  <b>HIPAA Security Officer</b></p> <ul style="list-style-type: none"> <li>• Applicable only to the Health Flexible Spending Account (Health FSA)</li> </ul>	<p><b>Privacy Officer for the City of Tucson</b>            255 W. Alameda, 3rd Floor Tucson, AZ 85701            Telephone: (520) 791-4597 (direct)            Confidential Fax #: (520) 791-5942</p>

If a Participant has elected to have both a Health FSA account and a DCAP account, the IRS requires that they be separate accounts. This means that a Participant may not:

- Combine the money into one account.
- Transfer money between the two accounts.
- Be reimbursed for health care expenses from the DCAP account and cannot be reimbursed for a dependent care expense from the Health FSA.



## TAX SAVINGS EXAMPLE

By electing to direct a portion of your salary through the Plan, you essentially use this money to pay for expenses on a TAX-FREE basis that would otherwise be paid out of your take-home pay. **This example shows how the Plan could save this employee \$332 in taxes!**

	<u>Without Plan</u>	<u>With Plan</u>	<u>Savings with Plan</u>
Gross Income	\$25,000	\$25,000	
Medical expenses run through the Plan		1,200	
Taxable Income	\$25,000	\$23,800	
Federal Tax*	2,985	2,805	180
State Income Tax	790	730	60
Social Security (FICA) Tax	1,913	1,821	92
Pay check After Taxes	\$19,312	\$18,444	
Expenses not run through the Plan	1,500	300	
Your Spendable Income	17,812	\$18,144	<b>\$332</b>

**This person could reduce their taxes by \$332 by using the FSA!!**

\*Notice that not all this employee's expenses were run through the Plan.

\*Estimate based on 15% Marginal Tax Bracket - single with standard deduction



## **HEALTH CARE REIMBURSEMENT ACCOUNT (HCRA) PLAN SUMMARY**

The HCRA is intended to qualify as a “self-insured medical reimbursement plan” under Code §105, and the Medical Care Expenses reimbursed are intended to be eligible for exclusion from participating Employees’ gross income under Code §105(b). You can elect to participate in the HCRA by completing, signing and returning an Election Form/Salary Reduction Agreement electing:

- (a) To receive benefits in the form of reimbursements for Medical Care Expenses (HCRA); and
- (b) To pay the contributions for such HCRA on a pre-tax salary reduction basis.

### **STEPS TO PARTICIPATE IN THE HCRA**

1. Estimate your family’s annual out-of-pocket medical expenses. You may include expenses for anyone included on your federal tax return (Spouse, children, etc.). Include predictable expenses only.
2. Enroll in the HCRA. Divide your estimate by the number of paychecks you expect to receive during the Plan Year. Complete and sign an Enrollment Form during the Open Enrollment Period.
3. Receive medical services. A Medical Care Expense is Incurred when the services are provided that create the expense. You must receive medical services before you file a claim for those services.
4. File claims. After you have received the medical services and know the amount of your responsibility for the bill, you may submit a claim for those expenses to ASI.
5. Receive reimbursements. ASI will review your claim, and if approved will reimburse you for the Medical Care Expenses within one business day of their receipt of the claim.

### **IMPORTANT HCRA INFORMATION**

<b>Annual Maximum</b>	<b>\$2,550.00</b>	<b>Annual Minimum</b>	<b>\$200.20</b>
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Qualifying Medical Expenses include only those expenses that are defined as medical expenses in Internal Revenue Code §213 and are not reimbursed by any other insurance or another plan. As stated in §213, qualifying Medical Care Expenses include amounts incurred for the diagnosis, cure, mitigation, treatment, or prevention of disease, and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness. They exclude all insurance premiums, long-term care expenses, and cosmetic expenses. Refer to IRS Publication 502 for further details on qualifying expenses. You may link to this publication from ASI's website. The purpose of Publication 502 is to assist people with their income tax filing. It does not address HCRA. However, most of the items listed as deductible in Publication 502 can be claimed through your HC RA. Expenses reimbursed by the HCRA may not be deducted on your income tax return. Expenses deducted on your

income tax return may not be filed for reimbursement through your HCRA. You can only claim expenses based on the date Incurred or date of service (not paid as stated in Publication 502). Please contact ASI at [asi@asiflex.com](mailto:asi@asiflex.com), (800) 659-3035 (442-3035 from Columbia, Missouri) if you have any questions regarding particular expenses.

**Below is a partial listing of qualified expenses.** Remember, expenses can only be claimed based on the date Incurred regardless of the date you are billed or pay for the expense.

- Deductibles
- Co-pays
- Doctor's fees
- Dental expenses
- Vision care expenses
- Prescription glasses
- Contact lenses and solutions
- Corrective eye surgery
- Prescribed Drugs & Medicines (legal) used to treat a medical condition
- Insulin
- Orthodontia (braces)
- Routine physicals
- Medical equipment
- Hearing aids including batteries
- Transportation expenses related to illness
- Chiropractor's fees
- Over-the-counter drugs with a valid prescription

#### **Non-Qualifying Medical Expenses**

This is a partial list of medical related items that do not qualify under the Plan. There may be other items that do not qualify that are not listed here.

- Cosmetic procedures; *e.g.* face-lifts, skin peeling, teeth whitening, veneers, hair replacement, removal of spider veins
- Sunglasses - non-prescription
- Toiletries
- Medicines, drugs, herbs, or vitamins for general health and not used to treat a specific medical condition
- Expenses that are merely beneficial to your general health (*e.g.*, vacations and vitamins)
- Health club dues (not prescribed for a particular condition)
- Any sort of insurance premiums
- Warranties
- Long-term care expenses
- Prescription Drugs imported from another country
- Over-the-counter drugs without a valid prescription

#### **Coverage Continuation ("COBRA")**

To the extent required by COBRA, a Participant or his/her Spouse or Dependent may elect to continue the coverage elected under the HCRA even though the Participant's or his/her Spouse's or Dependent's election to receive benefits expired or was terminated, under the following circumstances:

- (a) Death of the Participant;
- (b) Termination (other than for gross misconduct) or a reduction in hours;
- (c) Divorce or legal separation of the Participant; or
- (d) A Dependent child ceases to be a Dependent under the terms of this Plan.

When the Plan is notified that one of the events has occurred, the right to choose continuation coverage will be provided to each eligible person(s) if, on the date of the qualifying event, the Participant's remaining benefits for the current Plan Year are greater than the Participant's remaining contribution payments. The right to elect to continue ends 60 days from the date the notice of the right to continue coverage is provided by the Administrator. It is the responsibility of the Participant or a responsible family member to inform the Administrator of the occurrence of an event described above.

Continuation coverage will not extend beyond the end of the current Plan Year and may terminate earlier if the premiums are not paid within 30 days of their due dates. Payments for expenses incurred during any period of continuation shall not be made until the contributions for that period are received by the Administrator. An administrative charge of 2% is assessed for each premium paid for continuation coverage.

**Participants on leave under the Family Medical Leave Act ("FMLA") are entitled to maintain coverage for the HCRA. Payment for coverage during FMLA may be made as follows:**

- \* You may make arrangements with the Human Resources office to pre-pay for coverage during the leave prior to commencing the leave. If your leave lasts longer than you expected, City of Tucson will take any missed contributions from your first paycheck after you return from leave.
- \* You may pay for coverage during your leave by making payments directly to the Plan each month.

**Newborns and Mothers Health Protection Act of 1996**

Group health plans and health insurance issuers generally may not, under federal law, restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a cesarean section. However, federal law generally does not prohibit the mother's or newborn's attending provider, after consulting with the mother, from discharging the mother or her newborn earlier than 48 hours (or 96 hours, as applicable). In any case, plans and issuers may not, under federal law, require that a provider obtain authorization from the Plan or the issuer for prescribing a length of stay not in excess of 48 hours (or 96 hours).

**Womens Health Cancer Rights Act of 1998:**

The HCRA as required by the Womens Health and Cancer Rights Act of 1998, includes expenses for mastectomy-related services including reconstruction and surgery to achieve symmetry between the breasts, prostheses, and complications resulting from a mastectomy (including lymphedema). Call (800) 659-3035 for more information.



## **DEPENDENT CARE REIMBURSEMENT ACCOUNT (DCRA) PLAN SUMMARY**

The DCRA is intended to qualify as a “dependent care assistance program” under Code §129, and the Dependent Care Expenses reimbursed are intended to be eligible for exclusion from participating Employees’ gross income under Code §129(a). You can elect to participate in the DCRA by electing:

- (a) To receive benefits in the form of reimbursements for Dependent Care Expenses (DCRA); and
- (b) To pay the contributions for the DCRA on a pre-tax salary reduction basis.

### **STEPS TO PARTICIPATE IN THE DCRA:**

1. Estimate your total Dependent Care Expenses for the Plan Year. Include predictable expenses only.
2. Enroll in the DCRA. Divide your estimate by the number of paychecks you expect to receive during the Plan Year. Complete and sign an Enrollment Form during the Open Enrollment Period.
3. Receive Dependent care services. Dependent Care Expenses are Incurred when the day care is provided. You must receive the Dependent care services before you file a claim for those services.
4. File claims. After you have received the Dependent care services, you may submit a claim for those expenses to ASI.
5. Receive reimbursements. ASI will review your claim, and if approved will reimburse you within one day of their receipt of your claim up to the amount you have on deposit in your account. If your claim exceeds your available funds, the difference will be recorded and paid as funds become available from payroll.

### **IMPORTANT DCRA INFORMATION**

**Annual Maximum      \$5,000.00                      Annual Minimum      \$200.20**

You and your Spouse together may include up to \$5,000.00 per year (\$2,500 in the case of a married individual filing a separate tax return for the Plan Year) or the lesser of your (after subtracting all FSA deductions) or your Spouse’s earned income for the Plan Year. In the case of a Spouse who is a full-time student at an educational institution or is physically or mentally incapable of caring for himself or herself, such Spouse shall be deemed to have earned income of \$250 per month if you have one Dependent and \$500 per month if you have two or more Dependents.

A Qualifying Individual is your Dependent who is under the age of 13 who lives with you at least one half of the year or your Spouse or an older Dependent who is mentally or physically incapable of self-care who resides with you for more than one half of the year and is a qualifying child or relative under Section

152 of the Code. The child of a divorced or separated employee is treated as a qualifying individual of the custodial parent irrespective of who claims the dependency exemption if such child is in the custody of one or both parents for more than half of the calendar year. The child is treated as having been in the custody of the parent who had custody for the greater portion of that year. If the child was not in the custody of one or both parents for more than half of the calendar year, then neither parent can be considered the custodial parent.

A Qualified Provider can provide care in your home or outside your home. If the care is provided outside your home and the facility cares for more than 5 individuals, then it must be licensed by the State. The expenses may not be paid to your Spouse, a child of yours who is under the age of 19 at the end of the year in which the expenses are incurred, or to an individual for whom you or your Spouse is entitled to a personal tax exemption as a Dependent.

The Dependent Care Reimbursement Account is an alternative to taking a “tax credit” allowed with your tax filing each year. You may receive a tax break on your expenses, but you must choose whether to use the “Tax Credit” or the Dependent Care Reimbursement Account. The IRS will not allow you to receive two tax breaks on the same expenses. Check with your tax advisor to determine which alternative is more advantageous considering your individual circumstances.

### **Qualifying Dependent Care Expenses**

Qualifying child/dependent care expenses are those that you incur in order for you and your Spouse (if married) to be gainfully employed that are considered to be employment-related expenses under Internal Revenue Code §21(b)(2) to the extent that you or another person (if any) incurring the expense is not reimbursed for the expense through any other Plan. Only expenses incurred for care and well-being qualify for this tax break (kindergarten, education related sports camps, summer school and private school expenses, food and transportation do not). Day camp fees Incurred in order for you to work are allowable but overnight camps are not. Refer to IRS Publication 503 for additional information. You can access this publication from ASI’s website. The purpose of Publication 503 is to assist people with their income tax filing. It does not address DCRA. However, most of the items listed as eligible for the tax credit in Publication 503 can be claimed through your DCRA. You can only claim expenses based on the date Incurred (not paid as stated in Publication 503). Please contact ASI at [asi@asiflex.com](mailto:asi@asiflex.com), (800) 659-3035 (442-3035 from Columbia, Missouri) if you have any questions regarding particular expenses.

### **Qualifying Expenses are those that enable you to be gainfully employed including:**

- Day-care centers
- Day camps
- Babysitters
- Nannies

### **Non-Qualifying Dependent Care Expenses**

This is a partial list of items that do not qualify under the Plan. There may be other items that do not qualify that are not listed here.

- Care that is not incurred in order for you to work or look for work.
- Kindergarten or other educational expenses.
- Instructional or sport specific camps; *e.g.* ballet camp, soccer camp, summer school.
- Food, transportation or activity fees.
- Amounts paid to your Spouse or Dependent or to your (or your Spouse's) son or daughter who is under 19 years old at the end of the year.
- Care for a child for whom you have 50% or less physical custody.
- Overnight camps.
- Care for a child age 13 or older who is not disabled.
- Child support payments.

## CITY OF TUCSON FLEXIBLE SPENDING PLAN CLAIMS

ASI, (800) 659-3035

PO Box 6044

Columbia, MO 65205-6044

asi@asiflex.com

Claims processed within 3 banking days of receipt by ASI

World Wide Web [www.asiflex.com](http://www.asiflex.com) for claim forms and personal account information

Allowable expenses must be incurred during the portion of the Plan Year that you are a Participant. Claims must be filed by March 31st following the end of the Plan Year, unless your participation ends earlier than December 31. **If your participation ends prior to December 31, then you have 90 days from the end of your coverage period to submit claims incurred during the Plan Year.** After March 31st, your account will be closed and any balance remaining will be retained by City of Tucson in accordance with federal regulations. If March 31st is a holiday, Saturday, or Sunday, then claims must be filed by the first business day following March 31st.

You must submit a completed claim form along with copies of invoices or statements from the provider to serve as proof that you have incurred an allowable expense in order to receive payment. Statements are required to include:

- (a) The provider's name;
- (b) The date(s) of service;
- (c) A description of the service(s); and
- (d) The expense amount.

Copies of personal checks and paid receipts, without the above information, are not acceptable. Documentation or copies will not be returned. For over-the-counter items, the receipt or documentation from the store must include the name of the drug printed on the receipt. Additionally, you must now include a copy of a valid prescription with any over-the-counter drugs and medicines. You must indicate the existing or imminent medical condition (items such as vitamins and nutritional supplements may require a physician's statement) for which the item will be used on the receipt, on the claim form, or on a separate enclosed statement each time these items are claimed. Purchases for general good health will not be accepted. You will be provided with a supply of claim forms with your enrollment confirmation. You may copy the claim form or obtain extra claim forms from your Human Resources office, by contacting ASI or over the Internet at [www.asiflex.com](http://www.asiflex.com).

You may have the Dependent care provider complete the Dependent care section of the claim form and sign on the line provided in lieu of providing the above documentation for Dependent care claims.

The tax identification number or Social Security number of the child/Dependent care provider may be listed on each of your claim forms. You must provide this number with your federal income tax return. Please check with your childcare provider (before enrolling in this category) to be sure that you are able to obtain their tax I.D. number or his/her Social Security number

Orthodontic expenses may be assumed to be Incurred at the time a monthly payment is due and paid. These monthly payments must be spread out evenly over the expected period of orthodontic treatment. Claims submitted for orthodontic payments that meet the above are allowable. You may also submit a claim for a reasonable down payment of the orthodontic treatment if the down payment is made at the time the appliances are placed. Claims for payments made prior to being due or that otherwise do not meet the above requirements will not be processed. Claims for the entire fee paid at the beginning of treatment will not be processed, nor will claims for an entire year's payments made at the beginning of the year be processed. To claim orthodontic down payments, you must include a copy of the treatment

contract and payment schedule along with proof of payment or a receipt of payment stating the date the braces were placed.

Payment from your HCRA for expenses incurred during the Plan Year will be made up to the approved amount of your claim or your remaining annual election, whichever is less. Payment is not limited to the amount in your account at the time of your claim. Your monthly contributions will continue for the remainder of the Plan Year.

Payment from your DCRA will be made up to the approved amount of your claim or your current balance, whichever is less. Any portion of your claim which is not paid will be paid automatically as money is contributed from payroll. Total payments for the year are restricted to your annual election.

Direct deposit into the bank account of your choice is available for your claim payments. By using direct deposit you will not need to wait for a check to arrive or deposit yourself. A notice that a payment was made will be sent to you. This direct deposit notice is available by U.S. Mail or by email. If you prefer, a check can be mailed to you instead of payment by direct deposit.

**Email notice** – If you choose direct deposit, ASI can send your notices of payment directly to your email account.

**The Administrator has the authority to terminate participation in the Plan if it has been determined that you have filed a false or fraudulent claim.**

## GENERAL PLAN INFORMATION

**The administrator:** City of Tucson  
P.O. Box 27210  
Tucson, AZ 85726  
(520) 791-4597

**The employer:** City of Tucson  
P.O. Box 27210  
Tucson, AZ 85726  
(520) 791-4597

**Named Fiduciary:** City of Tucson

The name of the Plan is The City of Tucson Flexible Spending Plan. The Plan Number is 501. The provisions of the Plan became effective on January 1, 2010. The Plan is intended to last indefinitely. However, the employer retains the right to amend or terminate the Plan at any time for any reason. City of Tucson's federal employee tax identification number (EIN) is 86-6000260.

The agent for Service of Legal Process is the Plan Administrator.

The benefit Plan Year is the twelve-month period from January 1 through December 31 of the same calendar year.

Although reprinted within this document, the HCRA and the DCRA are separate plans for purposes of administration and all reporting and nondiscrimination requirements imposed by Code §105 and 129. The HCRA is also a separate plan for purposes of applicable provisions of COBRA.

The HCRA and the DCRA are entirely funded by Employee salary reductions. However, for the purposes of the Plans and the Internal Revenue Code they are considered employer contributions. All of the amounts payable under this Plan shall be paid from the general assets of the employer. Neither City of Tucson nor the Administrator (if other than City of Tucson) will maintain any fund or segregate any amount from general assets for the benefit of any Participant, and no Participant or other person shall have any claim against, right to, or security or other interest in any fund, account or asset of City of Tucson from which any payment under this Plan may be made. There is no trust or other fund from which benefits are paid. While City of Tucson has complete responsibility for the payment of benefits out of its general assets, it may hire an unrelated third party firm to make benefit payments on its behalf. The maximum contributions that may be made under this Plan for a Participant is the total of the maximums that may be elected as employer and Participant contributions for benefits, and as described in the HCRA Plan Summary and DCRA Plan Summary sections.

City of Tucson has hired ASI to perform certain administrative functions for the Plan. ASI processes all claims for the HCRA and the DCRA. If you have any questions concerning claims, please contact ASI, P. O. Box 6044, Columbia, MO 65205, 800-659-3035, email: [asi@asiflex.com](mailto:asi@asiflex.com), on on-line at [www.asiflex.com](http://www.asiflex.com).

It is intended that this Plan meet all applicable requirements of the Code and other federal regulations. In the event of any conflict between this Plan and the Code or other federal regulations, the provisions of the Code and the federal regulations shall be deemed controlling, and any conflicting part of this Plan shall be deemed superseded to the extent of the conflict.

The Plan Administrator shall perform its duties as the Plan Administrator and in its sole discretion, shall determine an appropriate course of action in light of the reason and purpose for which this Plan is

established and maintained. In particular, the Plan Administrator shall have full and sole discretionary authority to interpret all Plan documents, and make all interpretive and factual determinations as to whether any individual is entitled to receive any benefit under the terms of this Plan. Any interpretation of the terms of any plan document and any determination of fact adopted by the Plan Administrator shall be final and legally binding on all parties. Any interpretation shall be subject to review only if it is arbitrary, capricious, or otherwise an abuse of discretion. Any review of a final decision or action of the Plan Administrator shall be based only on such evidence presented to or considered by the Plan Administrator at the time it made the decision that is the subject of review. Accepting any benefits or making any claim for benefits under this Plan constitutes agreement with and consent to any decisions that the Plan Administrator makes in its sole decision and further constitutes agreement to the limited standard and scope of review described by this section.

To the extent permitted by law, the Plan Administrator and other parties assuming a fiduciary or decision-making role shall not incur any liability for any acts or for failure to act except for their own willful misconduct or willful breach of this Plan. The standard shall be one of ordinary care.

### **Benefits Offered:**

- **Health Care Reimbursement Account (HCRA) Plan**
- **Dependent Care Reimbursement Account (DCRA) Plan**



## **ACCOUNT ACCESS**

You can access information regarding your HCRA and DCRA on the web or by using the mobile app 24 hours a day, 7 days a week. Information is updated every morning to reflect the previous day's transactions. You can find out if a claim has been processed, a payment has been made or your current balance. Information for the current Plan Year is available (the previous Plan Year until March 31st following the end of that Plan Year is available as well). There is no personally identifying information; which means, this information will be meaningful to you, but not to anyone else.

### **To access your account via the web:**

1. Go to <http://www.asiflex.com> and click on "**Account Detail**"
2. You will need to create a User Name, Password and select a security image unless you have already done so. To set up your credentials the first time, you will need your Personal Identification Number (PIN). Your PIN is provided on your enrollment confirmation. You can also request your PIN by email ([asi@asiflex.com](mailto:asi@asiflex.com)) or by phone at (800) 659-3035. Please ensure that you have a few minutes to complete this process fully. You will need to remember this information for the future.
3. Once you are signed in, you will be in the Self Service Menu.
4. Select the Plan Year from the drop down box if available.
5. Select the category you wish to view if you are enrolled in more than one category. All transactions for the Plan Year are shown through the previous processing day.
6. Click "**Go**"
7. Be sure to click "**Log out**" when you finish. This closes out your account for security purposes.

## GLOSSARY

**COBRA:** The Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

**Code:** The Internal Revenue Code of 1986, as amended.

**Dependent:** With regard to any health plan a Dependent is a person who is a qualifying child or qualifying relative as defined in Code § 105(b) and 152, without regard to the gross income limitations. With regard to the DCRA, a Dependent shall be a qualifying person as defined in Code §21(b)(1), as amended (See also “Qualifying Individual” under the DCRA Plan Summary.) In the case of divorced parents, the child shall be treated as a dependent of the custodial parent as described in Code §21(e)(5).

**Dependent Care Expenses:** Employment-related expenses as defined in Internal Revenue Code §21(b)(2).

**Educational Organization:** An organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

**Election Form/Salary Reduction Agreement:** Means the form provided by the Administrator for the purpose of allowing an eligible Employee to participate in this Plan by electing salary reductions to pay for any of the HCRA, and/or DCRA benefits. It includes an agreement pursuant to which an eligible Employee or Participant authorizes the employer to make salary reductions.

**Employee:** Means an individual that City of Tucson classifies as an employee who is on City of Tucson W-2 payroll and is defined in the Insurance Handbook at [www.tucsonaz.gov/enroll](http://www.tucsonaz.gov/enroll). The term “Employee” does include “former Employees” for the limited purpose of allowing continued eligibility for benefits under the Plan for the remainder of the Plan Year in which an Employee ceases to be employed by the employer.

**Grace Period:** If you are a HCRA participant as of December 31 of a Plan Year, you may continue to incur expenses through March 15<sup>th</sup> to use any remaining funds in that Plan Year just ended. Claims for Health Care expenses incurred during this Grace Period are paid from the oldest year’s funds first unless you request otherwise.

**FMLA:** The Family and Medical Leave Act of 1993, as amended.

**FSA:** An account established under the HCRA or the DCRA.

**HIPAA:** The Health Insurance Portability and Accountability Act of 1996, as amended.

**Incurred:** The date or dates that services or products are provided that give rise to an expense regardless of when the expenses are paid or billed.

**Medical Care Expense:** An expense incurred by you, your Spouse or a Dependent for “medical care” as defined in Internal Revenue Code Sections 213(d) and 106(f). It does not include any insurance premiums or long-term care expenses.

**QMCSO:** A qualified medical child support order, as defined in ERISA § 609(a).

**Participant:** A person who is an eligible Employee and who is participating in this Plan. Participants include: (a) those who elect HCRA, and/or DCRA, and salary reductions to pay for such benefits; and (b) those who elect instead to receive their full salary in cash. The following Employees are excluded from participation:

- Leased employees;
- Contract workers and independent contractors;
- Temporary employees and casual employees;
- Part-time employees;
- Seasonal employees (defined as working less than six (6) months per plan year);
- Individuals paid by a temporary or other employment or staffing agency; and
- Employees covered under a collective bargaining agreement.

**Plan:** The City of Tucson Flexible Spending Plan

**Plan Year:** The Plan Year is from January 1 through December 31 of the same calendar year.

**Spouse:** A person who is legally married as defined under applicable state and federal law.

## Claim Submission and Filing Instructions

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**Claim Submission Options:** There are four different methods by which you may submit your claim.

- **Mobile App:**  
**Download the free mobile app to your smartphone or tablet. Sign in, answer a few questions about your claim, take a picture of your documentation using your device's camera, and submit your claim!**
- **Online:**  
Submitting your claim online is easy and convenient! Go to <https://my.asiflex.com>.  
In order to submit your claim via ASIFlex's secure online portal, you will need the following:
  - Your account user credentials (User Name, Password and Security Image). If you have not yet set up your credentials, you will need your PIN (provided to you in your welcome packet and in each account summary statement). If you do not have your PIN, you may call Customer Service at (800) 659-3035.
  - Access to a scanner so that you may scan your documentation as a PDF. You will be requested to upload the documentation after you complete the online claim.
- **Toll-free fax:**  
(877) 879-9038  
This option provides fast and easy claims submission. You may submit your claim via ASIFlex's toll-free fax number 24 hours a day, 7 days a week.
- **US Mail:**  
ASIFlex, P.O. Box 6044, Columbia, MO 65205

### **Claim Filing Guidelines:**

- Clearly print your name, address, social security number (or EID as appropriate) and your employer's name.
- List expenses and arrange the supporting documentation in the same order.
- Enclose required documentation.

### **IRS Documentation Requirements:**

Each item claimed must be supported with proper documentation, including each of the following five (5) essential pieces of information. Your claim will not be processed without the following information:

1. Name of the provider or merchant (medical or dependent care)
2. Name of the person, or persons receiving the service or care
3. Date or range of dates of service or care
4. Cost of the service, not just the amount paid
5. Description of the service or care

Without a description of the service or care provided, your claim will be denied. **Credit card receipts, cancelled checks and billing statements without detailed service information are not substantial documentation and will not be accepted.** The description of the service or care can be as generic as "copay" or "office visit." If the description of the service is not listed on the receipt\* provided from your service or care provider, the provider may write the description on the receipt.

\*Please note if a receipt is not available for dependent care expenses, you may have the care provider sign and date the claim form in the appropriate area instead of providing a receipt.

- **Sign** the claim form. Claim forms that are not signed will not be accepted.
- Keep copies of each receipt and claim form for tax purposes (Dependent Care FSA participants must file IRS Form 2441 each year with tax return). Keep in mind that you will need the provider's tax ID or Social Security Number when you file your taxes.
- Submit completed claim form and supporting documentation to ASIFlex.