

TIME TO CASH IN ON
THE SAVINGS.



GET MORE OUT OF YOUR PAYCHECK.

Do you pay medical expenses? How about insurance premiums? Dependent care? If you answered yes to any of these questions, then keep reading because we are going to put more money in your pocket. The IRS established Section 125 to help reduce some of the burden of medical, dental, vision and dependent care bills. With BASICFLEX, you elect to have a certain dollar amount transferred from your paycheck into a special account to pay for expenses as they occur. This money is taken from your gross pay prior to taxes. You save by not being required to pay federal and most state and local taxes, as well as Social Security and Medicare taxes, on the amount you set aside.

EXAMPLE OF SAVINGS FOR A WEEKLY PAYROLL CHECK

Without a Flexible Spending Plan		With a Flexible Spending Plan	
Gross taxable wage	\$500.00	Gross taxable wage	\$500.00
Federal, FICA & State Tax	-113.25	Average weekly out-of-pocket expenses	
Insurance premium contribution	-40.00	Insurance premium contribution	-40.00
Take home pay	\$346.75	Medical/Dental/Vision	-50.00
Average weekly out-of-pocket expenses		Taxable wage	\$410.00
Medical expenses	-50.00	Federal, FICA & State Tax	-92.86
Amount left to spend	\$296.75	Amount left to spend	\$317.14

*assuming 15% Federal tax, 7.65% FICA tax (Social Security and Medicare)

The savings really add up. This example leads to a \$20 a week savings. Where would you rather have the money go; in your pocket or toward taxes? In a year, an extra \$1,040 could help pay increasing gas prices or help fund your entertainment budget. With BASICFLEX you can put the money in your pocket. Visit www.basiconline.com/employees/Services/BASIC_Flex/Savings_Calculator/ to find out what your savings would be.

MEDICAL REIMBURSEMENT

With BASICFLEX you can save 15%-40% on your out-of-pocket medical expenses. Simply calculate your estimated medical expenses for the year and have that amount set aside in a Medical Reimbursement Account. The money is taken before taxes, so you don't pay most federal, state, Social Security and Medicare taxes on that amount. It's like paying wholesale instead of retail.

We have provided an example of how a current participant calculated the amount they elected for BASICFLEX. Be sure to base your estimate on known expenses because leftover money is forfeited. Only 1 in 500 participants ever lose any money.

The full amount of your medical election is available for reimbursement on the first day of your plan year.

IRS regulations govern the eligibility of claims which include those that are not fully covered by a health care plan and are prescribed by a physician or other licensed professional, primarily for preventing, treating or mitigating a physical defect or illness. The IRS does not allow reimbursement for the following: cosmetic surgery, insurance premiums, teeth bleaching/whitening, nutritional supplements/vitamins, marriage counseling, debt counseling, eyeglass sun clips and prepayment of services. For more details, refer to IRS Publication No. 502.

If you have questions at any time regarding BASICFLEX simply call 800.473.0455 or 520.327.0455 (AZ).

HEALTHCARE REFORM

As of January 1, 2011, a prescription or letter of medical necessity is required for OTC medicines to be reimbursed through a FSA. However, OTC items such as insulin, contact lens solution, bandages and durable medical equipment continue to be reimbursable without a prescription or letter of medical necessity.

MEDICAL ELECTION WORKSHEET.

Use the list on the next page to estimate your predictable medical, dental, vision and over-the-counter (OTC) expenses for your plan year. This page lists commonly reimbursed eligible expenses as well as examples of ineligible items.

IRS regulations govern the eligibility of items and claims. As a FLEX Administrator, BASIC helps ensure that you and your Employer stay within these regulations. If you have a question regarding a specific item or treatment, call BASIC before you set money aside in the FSA.

TAX SAVINGS CALCULATOR

Visit www.basiconline.com/employees/services/BASIC_Flex/Savings_Calculator to use our calculator to estimate your tax savings when you choose to participate in BASICFLEX!

To estimate your savings, fill in the amount of your annual group insurance premiums, medical reimbursement and/or dependent care election and your estimated tax bracket (15%, 23%, 28%, 32%, 40%, or 45%).



EXPENSE	ESTIMATED COST
MEDICAL*	
Acupuncture	\$
Chiropractor	\$
Podiatrist	\$
Deductible	\$
Co-pays	\$
Doctor fees	\$
Office visit	\$
Prescriptions	\$
Hospital bills	\$
Laboratory fees	\$
Medic alert bracelet	\$
Dermatologist	\$
Immunizations	\$
Obstetrical expenses	\$
Routine physicals	\$
X-rays	\$
Well baby checkups	\$
VISION*	
Glasses	\$
Eye exam	\$
Contact lenses	\$
Contact lens solution	\$
Prescription sunglasses	\$
LASIK surgery	\$
Visine and eye drops	\$
Reading glasses	
DENTAL*	
Orthodontic	\$
Dentures/bridge/crowns	\$
Fluoride treatments & seals	\$
Cleanings and fillings	\$
Root canals	\$
Extractions	\$
COLUMN #1 TOTAL	\$

EXPENSE	ESTIMATED COST
HEARING*	
Hearing exam	\$
Hearing aids	\$
Special batteries	\$
DIABETIC SUPPLIES*	
Insulin	\$
Glucometer	\$
Syringes/Needles	\$
Test Strips	\$
BIRTH CONTROL DEVICES*	
Condoms	\$
Prescriptions	\$
Sterilization	\$
THERAPY*	
Physical therapy	\$
Learning disability	\$
Psychologist fees for medical care	\$
Psychiatric care	\$
PHYSICAL IMPAIRMENTS*	
Wheelchair	\$
Crutches	\$
Walker	\$
SPECIAL NEEDS*	
Stop smoking programs	\$
Transportation to and from doctor/hospital (call for current mileage rates and guidelines)	\$
OVER-THE-COUNTER ITEMS*	
Band-aids	\$
Carpal tunnel wrist supports	\$
Cold/hot packs for injuries	\$
Home pregnancy tests	\$
Incontinence supplies	\$
Liquid adhesive for small cuts	\$
Nasal strips	\$
COLUMN #2 TOTAL	\$

EXPENSES THAT REQUIRE A LETTER OF MEDICAL NECESSITY	
The IRS allows reimbursement of the following with a copy of the physician's statement of medical necessity that includes the specific product/service and a diagnosis. Treatment cannot be for general health or well being. A copy needs to be submitted with every reimbursement request and a new letter needs to be reinstated every 12 months.	
EXPENSE	ESTIMATED COST
Health club fees/gym memberships	\$
Nutritional supplements/vitamins	\$
Massage therapy	\$
Acne medication	\$
Sunscreen/Suntan lotion	
Weight loss programs (i.e. Weight Watchers and Jenny Craig) - Program fees are eligible but food portions are not.	\$
OVER-THE-COUNTER MEDICINE+	
Acid controllers	
Antibiotic	
Anti-diarrhea/gas	
Anti-itch/insect bite	
Antiparasitic treatments	
Baby rash creams	
Cold sore remedies	
Cough, cold & flu	
Digestive aids	
Feminine anti-fungal/anti-itch	
Hemorrhoidal preps	
Laxatives	
Pain relief	
Sleep aids & sedatives	
Stomach remedies	
COLUMN #3 TOTAL	\$

ESTIMATED EXPENSES	
COLUMN 1	\$
COLUMN 2	\$
COLUMN 3	\$
TOTAL ESTIMATED EXPENSES	

EXAMPLES OF INELIGIBLE EXPENSES
The IRS does not allow reimbursement for the following:
Cosmetic surgery
Insurance premiums
Marriage/debt counseling
Eyeglass sun clips
Eyeglass or contact warranty
Prepayment of services
Special (dietary) foods
Personal care items
Sanitary products
Diapers
Deodorant
Chapstick
Face cream or moisturizers
Teeth bleaching/whitening
Tooth brushes/toothpaste
Floss/flossing devices
Medicines originating from any country outside the USA

+Please note: As of January 1, 2011, a prescription or letter of medical necessity is required for OTC medicines reimbursed through a FSA. OTC items such as insulin, contact lens solution, bandages and durable medical equipment continue to be covered without a prescription.

*** Please note:** This list is a broad overview of eligible expenses; not all services provided by a provider or practitioner are eligible under the IRS regulations. Please call BASIC regarding your specific item or treatment to confirm eligibility before setting aside money.



DEPENDENT CARE REIMBURSEMENT

If you're one of the many people who spend money on dependent care while at work, a Dependent Care Reimbursement Account is a logical choice. Using BASICFLEX is like getting dependent care or preschool on sale. The money is deducted before taxes so you don't pay most federal, state, Social Security and Medicare taxes on that amount. The savings range from 15% to 40% depending upon your tax bracket.

You need to determine the amount to put into your Dependent Care Account. A single parent or a married couple filing jointly can elect up to \$5000 per family, while a married person filing separately can elect up to \$2,500. Unlike the Medical Reimbursement Account, this is a pay-as-you-go account and employers cannot advance you any money. Reimbursements are not made until funds are available in your account. Remember, leftover money is forfeited, so elect only what you know you'll spend.

Below is an illustration of someone in a 15% tax bracket with the maximum \$5,000 election. In this example, they would save \$1,132 in one year using BASICFLEX.

DEPENDENT ELIGIBILITY

- You and/or your spouse must be employed or actively seeking employment or attending school full time.
- Child must be a dependent under 13 years of age and be in your custodial care more than 50% of the calendar year. If your child turns 13 during the plan year, expenses are no longer eligible for reimbursement.
- A spouse or dependent who is incapable of self-care and regularly spends at least eight hours per day in your home (i.e. an invalid parent).

SERVICE REQUIREMENTS

- Provider cannot be a minor child or dependent for income tax purposes (i.e. an older child).
- Service provider must claim payments as income and comply with state regulations.
- Services must be for the physical care of the child, not for education, meals, etc.
- Overnight camps are not eligible.
- Expenses paid for Pre-K are eligible but kindergarten is not.

NOTE:

- If you qualify for the Child Care Credit, the same IRS rules apply. If you have 2 or more children and spend more than \$5,000 for child care, you may have additional tax credits available to you. For more details, refer to IRS Publication No. 503.

WEEKLY PAYROLL CHECK

Without a Flexible Spending Plan		With a Flexible Spending Plan	
Gross taxable wage	\$500.00	Gross taxable wage	\$500.00
Federal, FICA & State Tax	-113.25	Dependent care election (<i>\$5,000 divided by 52 weeks</i>)	-96.15
Take home pay	\$386.75	Taxable wage	\$403.85
Dependent care election (<i>\$5,000 divided by 52 weeks</i>)	-96.15	Federal, FICA & State Tax	-91.47
Amount left to spend	\$290.60	Amount left to spend	\$312.38

*assuming 15% Federal tax, 7.65% FICA Tax (Social Security and Medicare)

ACQUAINT YOURSELF WITH THE FACTS.



WWW.BASICONLINE.COM

WHEN IN DOUBT, ASK BASIC.

We realize that the IRS regulations can be confusing at times.

Please call BASICFLEX, prior to election, if you have any questions about the eligibility of any item, event, service or treatment. One of our Customer Service Representatives will be happy to listen to your exact situation and advise you on the regulations that apply so you can make the best election for your situation.

We want your BASICFLEX plan to benefit you in every way possible.

Each plan can differ slightly. The list below applies to most plans. However, for specifics on your plan please refer to your Summary Plan Description. Contact your Benefits Coordinator or BASIC at 800.473.0455 or 520.327.0455 (AZ).

- Flex Benefits end upon termination of employment and/or participation.
- Services must be rendered during your current plan year. For new employees entering the plan during the plan year, services must be rendered after eligibility or election date.
- Refer to the Summary Plan Description to find out how long you have to submit remaining claims after your plan year or coverage has ended.
- You can change your annual election if you have a qualified change in status (marriage, birth, adoption, death or divorce). The change in status must correlate with the event and be made within 30 days of the event. For example, if the event is a birth, you may increase your election, not decrease it.
- NOTE: According to the IRS regulations, personal financial hardship is not a qualifying status change to drop out of the FSA or adjust your contributions.
- Your pre-tax contributions through your FSA could reduce your future Social Security benefits. However, studies show it is usually less than 1%.
- According to the IRS, any money left in your FSA is forfeited and cannot be returned to you. Most people use their remaining money by getting a dental checkup or new glasses. Rarely is there ever more than 5% left in the account. The tax savings more than outweigh this amount.

BASIC LIMITED PURPOSE FSA

BASIC Limited Purpose FSA is a reimbursement account specifically designed for individuals with a Health Savings Account (HSA). IRS regulations state that an individual with an HSA cannot simultaneously have a general purpose FSA. However, they are allowed to participate in a limited purpose FSA. **If you or your spouse are currently enrolled or plan to enroll in an HSA during your FSA plan year, a limited purpose FSA plan might be just what you need.** The difference between BASICFSA and BASIC Limited Purpose FSA is the eligible expenses. A BASIC Limited Purpose FSA plan only allows for reimbursements of dental, vision and most deductible expenses. An Explanation of Benefits must be submitted with receipts to show IRS statutory deductible amount has been met, before BASIC can reimburse medical expenses. With a limited purpose FSA you can still sign up for a dependent care account. Your employer has the responsibility to determine which type of FSA to offer as a company benefit.

While this booklet provides general information about a plan, a Summary Plan Description Booklet containing further details is available. If you have specific questions regarding your particular situation, you may want to consult an attorney or accountant.



PLEASE PRINT CLEARLY TO ENSURE ACCURATE ENROLLMENT AND FUTURE COMMUNICATION.

Employer Name: _____

Participant First Name: _____ Last Name: _____

Social Security #: [][][] - [][][] - [][][][][] Date of Birth: _____ / _____ / _____

Address: _____

City, State, Zip: _____ Phone Number: _____

E-mail Address: _____ (Notification of direct deposit payments are only sent via e-mail)

Key Employee Owner/Officer

Pay Period: Weekly Semi-Monthly (twice a month) Bi-Weekly (every other week) Monthly

PREMIUM CONTRIBUTIONS

- I elect to participate (check all that apply)
 Health Insurance Group Life Insurance Disability Insurance Dental Insurance
 HSA Contributions Vision Insurance Other(s) _____

The amount of salary reduction needed to pay premiums under the insured portions of the Plan will be determined by my employer.

I elect NOT to participate

EMPLOYER USE
Please complete for mid-year enrollments.
Date of first deduction: _____
Eligibility date: _____

MEDICAL REIMBURSEMENT ACCOUNT

- I elect to participate (not to exceed employer limit of \$ _____)
\$ _____ per pay x _____ (# of pays in plan year) = \$ _____ Annually (do not round)
Do you or your legal spouse contribute to an HSA? Yes No
Do you or your legal spouse accept employer HSA contributions? Yes No
 I elect NOT to participate

DEPENDENT CARE ACCOUNT

- I elect to participate (not to exceed \$5000 or \$2500 if married filing separately)
\$ _____ per pay x _____ (# of pays in plan year) = \$ _____ Annually (do not round)
 I elect NOT to participate

DIRECT DEPOSIT (not all employers allow direct deposit as a reimbursement option)

- I elect to participate (there is no need to complete this section, unless you are changing accounts)
 checking account OR savings account

CHECK EXAMPLE

123456789 0000123456 1234
routing number account number check number

If you would prefer, you can attach a voided check.

Financial Institution (name of bank): _____

Routing Number (always 9 digits): [][][][][][][][][] Account Number: _____

I request that my periodic paychecks for the plan year be reduced on a pro rata pre-tax basis by the sum of my medical reimbursement, dependent care and premium contributions to the plan, with such amount to be allocated among the benefits I selected above. I understand this election form cannot be revoked or changed during the plan year unless there is a qualified change in status as defined in the Summary Plan Description (SPD). I certify that I will only claim reimbursement for eligible expenses for myself and/or qualified dependents as defined in the SPD. I further certify that these expenses will not be reimbursed under any other benefit plan. I understand any unused dollars remaining in my account(s) at the end of the plan year will be forfeited. I have examined this agreement and to the best of my knowledge, it is true, correct and complete.

Employee Signature _____ Date _____

TEAR ALONG THIS LINE