

FLEXIBLE SPENDING ACCOUNTS

Help your employees save money



Count on the name trusted for over 80 years



YOUR EMPLOYEES SAVE you save too

Offering a Flexible Spending Account (FSA) with a Blue Cross and Blue Shield of North Carolina (Blue Cross NC) health plan is a great way to help your organization and your employees save. Your employees save on medical expenses – your organization saves on taxes.* There are two types of FSAs:

The Health Care FSA

Employees contribute money from each paycheck to their FSA to help pay for expenses not reimbursed under their health or dental plan.** FSA funds can be used to pay for expenses such as copayments, deductibles and prescriptions. Employees can use their entire annual FSA fund allocation at any time during the plan year, regardless of how much money has actually been contributed to the account.

The Dependent Care FSA

A dependent care FSA allows employees to contribute to an FSA to pay for dependent care, such as day care and elder care. A dependent care FSA differs from a health FSA in that employees may only use funds that have already been contributed to their accounts.

NOTE: IRS regulations prohibit employees who have a health savings account (HSA) from participating in a Health Care FSA. However, they can participate in a Limited-Purpose FSA. Contributions are still tax-free, but reimbursements are limited to eligible dental and vision expenses only. For medical expenses, including deductibles, copayments and coinsurance, employees can use the HSA.

FSAs are great for employers that want:

- + Tax savings
- + A stronger benefits package
- + Higher employee morale



THE ADVANTAGES OF AN FSA for you and your employees

How an FSA benefits you

+ Lower payroll taxes

Employee contributions to an FSA are pre-tax, lowering your taxable payroll. Dependent care contributions alone can mean substantial payroll tax savings when you offer a dependent care FSA.

+ Reduced risk

While the health FSA gives employees access to the full annual election at the start of the plan year, you set the contribution limit. You control your potential outlay should employees spend funds and leave the company before making their full contribution.

Dependent care FSAs, on the other hand, offer even greater protection. Employees can only use funds already contributed to their accounts, meaning your risk is significantly reduced.

+ You keep unused funds

For employees, FSA contributions are considered “use it or lose it” – at the end of the plan year, employees lose any FSA contributions they don’t use, and the unused funds revert to the employer. However, employers have the option of allowing unused FSA dollars to rollover to subsequent plan years, up to a maximum IRS specified amount.

How an FSA benefits your employees

+ More take-home pay

Employees who contribute to an FSA increase their take-home pay because contributions reduce the employee’s taxable income.

+ Easier budgeting

An FSA helps employees better manage their health care budgets. By planning their out-of-pocket medical costs for the year, employees are better prepared to manage health expenses not reimbursed by their health benefit plan.

+ Greater job satisfaction

Employees appreciate the financial benefits of an FSA. The ability to save on taxes and better prepare for health and dependent care expenses builds employee loyalty. It also makes your benefits package more attractive to potential employees.





ENHANCED TOOLS and support

Easier for you

Our FSA offers easy enrollment, less paperwork, and hassle-free payments and reimbursements. We've simplified the account setup process and management with powerful online tools and resources. Plus, our FSA specialists are here to help every step of the way – before, during and after enrollment.

- + **Easy** account setup
- + **Integrated** claims data for faster processing
- + **Online** employer tools, resources and tutorials
- + **Expanded** administration and reporting capabilities
- + **Dedicated** employer support team

If you offer an HSA or health reimbursement arrangement (HRA) with our medical plan, payments can be managed between the HSA or HRA and FSA accounts.

Easier for employees

A Blue Cross NC FSA comes with tools and resources that make it easier and more convenient for employees to understand and manage their accounts. It all starts at BlueConnectNC.com.

- + **Online tools** allow employees to create claims, view transactions, store and manage receipts, and much more, all in one central, secure location.
- + **Mobile app** is available to employees to view account balances, send payments and reimbursements, manage debit card transactions, initiate claims and view a claim's status. They can even use a smartphone's camera to document claims.
- + **Educational videos** and tutorials provide a great way for employees to learn about topics like using the member portal, paying providers, financial planning and more.

How can we help?

For more information on our Health Care and Dependent Care FSA accounts, contact your Blue Cross NC agent or representative.

* Consult your tax advisor for information on potential tax savings.

** Withdrawals are tax-free only if used for qualified medical expenses. Specific regulations and a list of qualified medical expenses can be found in IRS publication 502, available at www.irs.gov.

Blue Cross and Blue Shield of North Carolina (Blue Cross NC) is the HRA/FSA administrator and contracts with HealthEquity, Inc., an independent entity, to perform certain HRA/FSA administrative services.

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