



## **WHAT IS A FLEXIBLE SPENDING ACCOUNT?**

The Federal Flexible Benefits Plan ("FedFlex") enables eligible employees to pay for benefits with pre-tax dollars. The initial FedFlex benefit, Premium Conversion, was implemented in October 2000. In this calendar year, OPM has enhanced FedFlex to include a second pre-tax benefit called Flexible Spending Accounts (FSAs). FEDFLEX will provide two FSAs:

- A Health Care FSA [HCFSA], allows pre-tax reimbursement of eligible medical costs not covered or reimbursed by insurance. Examples include FEHB plan deductibles, co-payments and coinsurance, dental and vision services not covered by FEHB plans, etc.
- A Dependent Care FSA [DCFSA], allows participants to be reimbursed on a pre-tax basis for child care or adult dependent care expenses that are necessary to allow the employee (and his/her spouse) to work or seek work.

Unlike Premium Conversion, participation in an FSA is not automatic; employees must make a voluntary election on an annual basis. If an employee does not make an election during the open enrollment they will not have an FSA in the new plan year. The benefit election is irrevocable once the plan year has begun, unless the employee experiences a qualifying "change in status" event. Additionally, if by the end of the plan year the money in an employee's account is not used, then the money will be forfeited.

## **WHEN CAN EMPLOYEES START PARTICIPATING IN FSAs?**

**Initial Opportunity To Participate.** The initial FSA plan year will be a "short" plan year. During the open enrollment period, eligible employees will be able to elect to participate in one or both FSAs. The open enrollment period will begin 19 May 2003 and continue through 20 June 2003, with enrollments being effective in September. The initial plan year for which eligible expenses can be submitted for reimbursement is 1 September through 31 December 2003, since payroll can not allot the money until September. The actual effective date will be announced as soon as the payroll office system has been modified to process the enrollments. . Only expenses incurred from 1 September through 31 December are eligible to be reimbursed.

**Subsequent Opportunity To Participate.** All subsequent plan years will be 1 January through 31 December. After the initial (short) plan year, employees will make elections to participate in one or both FSAs at the same time as the FEHB open season. Deductions for FSA benefit elections made during an FEHB open season will begin the first pay period in the plan year.

New hires and newly eligible employees who did not have an opportunity to elect coverage during an open enrollment period may elect to participate immediately upon eligibility. These employees will have sixty days to enroll from their eligibility date.

## **WHO IS ELIGIBLE?**

Federal employees whose appointment conveys eligibility for health insurance coverage may elect to enroll in the health care FSA upon entering on duty. All employees with qualified dependents may elect to enroll in the dependent care FSA except temporary employees with no fixed work schedule whose tour of duty is six

months or less. Employees eligible for the Federal Employees Health Benefits (even if not currently enrolled) will be able to elect a healthcare FSA to cover expenses not covered under their health benefit plan — deductibles, coinsurance and copayments, as well as services not generally covered such as dental care, orthodonture, etc.

At the present time, annuitants (except for re-employed annuitants) are not eligible for coverage in either FedFlex FSA.

### HOW WILL EMPLOYEES PAY FOR FSAs?

In order to participate in an FSA, contributions must come from an employee's salary via their pay. FSA allotments will be allotments to the employing agency that are then directed to a fund managed by the FSA administrator. For both benefits, the minimum election must be \$250. The maximum amount employees can contribute each year for the:

- HCFSA - employees may elect a maximum of \$3,000 per plan year.
- DCFSA - an annual maximum of \$5,000 may be elected.

Eligible employees will be able to voluntarily elect to participate in the HCFSA, the DCFSA, or both, during an open enrollment period. Employees will elect to contribute an amount, up to a maximum, to their FSA(s). Each pay period, the employing agency will process as an allotment a portion of the total amount of the employees' contributions. For instance, if an employee elects to contribute \$1,040 to their HCFSA and \$520 to their DCFSA and is paid biweekly, the agency will allot \$40 and \$20, respectively. These allotments will be made before Federal, state and social security taxes are calculated.

Employees pay a monthly fee per account to cover FSA administrative costs. For the HCFSA, the fee is \$4 for every month you participate. For the DCFSA, the fee equals 1.5% of the entire amount you elect. In both cases, the contractor will compute the amount due for the plan year and deduct the fee from an employee's first claim for reimbursement of a covered expense. OPM hopes to work with Agencies in the future to eliminate any employee cost to participate.

### WHO DO I CONTACT IF HAVE QUESTIONS ON ENROLLING IN FSAs?

**FSA Administrator.** As with the Federal Long Term Care Insurance Program, FLTCIP, individuals will enroll directly, with the FSA administrator to participate in one or both FSAs. The Office of Personnel Management (OPM) has awarded a contract to SHPS, based in Louisville, Kentucky, to serve as administrator of the new Federal FSA Program. To obtain information, please contact the FSA Administrator as noted below. OPM has contracted this program, therefore, please refer your questions to the FSA Administrator. **Your Human Resources Service Center (HRSC) and your Human Resources Office (HRO) should not be contacted.**

**Effective 19 May 2003**, employees will be able to access general program information, enroll, and manage their account either online or by telephone.

**Online:** [www.fsafeds.com](http://www.fsafeds.com). The FSAFEDS Web site is always available for access to information at your convenience.

**Toll Free:** 1-877-372-3337. Customer Service Representatives will be available between 9:00 AM and 9:00 PM, Eastern Standard Time, Monday through Friday, effective 19 May 2003.