
UT FLEX

Flexible Spending Accounts for Employees of The University of Texas System

For Plan Year 2011-2012

Last Revised: September 2011

The information contained in this booklet is intended to be used as a general guide to the UT FLEX Plan. The University of Texas System (UT) retains the sole right to interpret the terms set forth in this booklet in compliance with applicable laws and rules, including, but not limited to Section 125 of the Internal Revenue Code. Final determination of the eligibility of any specific expense submitted to the Plan for reimbursement shall be determined by the Plan. Should any provision of this booklet conflict with the term of the UT FLEX Plan, the Plan document shall prevail over this booklet.

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UT FLEX Plan Information

Plan Name	UT FLEX 1) Insurance Premium Redirection Plan 2) Health Care Reimbursement Account 3) Dependent Day Care Reimbursement Account
Plan Sponsor	The University of Texas System Office of Employee Benefits 702 Colorado Street, Suite 2.100 Austin, Texas 78701
Phone	(512) 499-4616
Fax	(512) 499-4620
Plan Effective Date	September 1, 1988
Plan Year	September 1 - August 31
Employer Federal Tax Identification Number	74-6000203-W
Flexible Spending Plans and Claims Administrator	PayFlex Systems USA, Inc. Flex Department P.O. Box 3039 Omaha, NE 68103-3039
Customer Service	Toll-Free (866) 887-3539 (Monday-Friday 7:00 AM - 7:00 PM Central Time) Fax: Toll-Free (877) 230-4283
Flexible Spending Plan Administrator Contract Effective Date	September 1, 2011
Plan Year	The Plan Year is the twelve (12) month period beginning September 1 of each year and concluding on August 31 of the next year.
Amendment or Termination	The University of Texas System reserves the right to amend, modify or terminate this Plan, in whole or in part, as required by applicable law.

UT FLEX Overview

Effective September 1, 1988, UT established the UT FLEX Plan which provides a pre-tax Premium Redirection Plan and Flexible Spending Account (FSA)

Plans using automatic pre-tax payroll deductions. UT FLEX is a “cafeteria plan” established pursuant to the Internal Revenue Code.

Definitions

Account: means a record keeping account established by the Plan Administrator in the name of each Participant for the purpose of accounting for contributions made by and on behalf of a Participant and benefits paid for a Participant.

Administrative Fee: Fee paid by UT FLEX FSA Plan Participants to offset some of the administrative cost of the plan.

Annual Enrollment Period: a specified time period, usually during the month of July each year, during which you may make UT FLEX elections for the Plan Year beginning the following September 1.

Cafeteria Plan: a written plan created pursuant to the Internal Revenue Code and Internal Revenue Service regulations under which all Participants may choose from among two or more qualified benefits consisting of cash and qualified benefits.

Change of Status: an event that allows a Participant to revoke or change an election under the UT FLEX plans. Some allowable examples of a Change of Status include marriage, divorce, death of a spouse or child, birth or adoption of a child, termination or commencement of employment for you or your spouse, and change in eligibility for coverage due to change in employment for you or your spouse. Any change in Plan participation or election, due to a Change of Status, must be consistent with the Change of Status event. For example, if a Participant adopts a child, the Participant may change his or her election to include medical coverage for the child, but the agreement could not be changed to drop vision coverage since this would be unrelated to the adoption.

Code: means the Internal Revenue Code of 1986, as amended from time to time as well as any regulation adopted by the Internal Revenue Service to implement the Code. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation which amends, supplements, or replaces such section or subsection.

Dependent Day Care Reimbursement Account or DCRA: a UT FLEX Dependent Day Care Reimbursement Account established under the provisions of Section 129 of the Internal Revenue Code for the purpose of reimbursement of eligible dependent day care expenses. Other UT System materials may refer to this account as a “Day Care Reimbursement Account” or a “Dependent Care Account.”

Debit Card Overpayment: An amount that originated from an unsubstantiated, ineligible or denied PayFlex Debit Card transaction.

Dependent: means a “qualifying child” or “qualifying relative” as defined in the Code. For purposes of health care reimbursements under the Medical or Medical-Related Expense Reimbursement Benefits of the Plan, “qualifying relative” is not subject to the income limitation of Code Section 152. For purposes of the Dependent Care (Day Care) Assistance benefits of the Plan, “Dependent” means any individual who is (a) a “qualifying child” of the Participant who is under the age of 13 and who resides with the Participant for more than one-half of the year, or (b) a Dependent or the spouse of the Participant who is physically or mentally incapable of caring for himself or herself, meets any income limitation of “qualifying relative” of Code Section 152 and shares the same principal residence with the Participant.

Eligible Participant or Participant: an employee of UT who is eligible to participate in a UT group insurance plan and who is not a retired employee or a return-to-work retired employee. Participation in the medical, dental or vision plan is not necessary in order to participate in a Health Care or Day Care Reimbursement Account; however, the employee must be eligible to participate in a UT group insurance plan pursuant to Texas Insurance Code, Chapter 1601.

Employer: The University of Texas System, its institutions, colleges, and departments.

Entry Date: the first day of the plan year, except for a Participant who first satisfies the requirements for eligibility during the plan year, including a rehired employee. The Entry Date for an Eligible Participant with a mid-year election shall be the first day of the month coincident with or next following the Employee's satisfaction of the requirements for eligibility.

Grace Period: a period applicable to the Health Care Reimbursement Account that begins the day after the last day of the UT FLEX plan year and extends for 2 ½ months. The Grace Period ends on November 15th. During the Grace Period, Participants may incur qualified Health Care Reimbursement Account claims to be reimbursed from the Participant's prior plan year contributions to a Health Care Reimbursement Account. **The Grace Period does not apply to the Day Care Reimbursement Account.**

Incurred or to Incur: for purposes of the Plan, an expense is considered to be incurred on the date at which the service is provided, regardless of the date of payment of or billing for the expense.

Insurance Premium Redirection Plan: the UT FLEX Insurance Premium Redirection Plan established to satisfy the requirements of Sections 105(b) and 106 of the Internal Revenue Code in order to enable you to avoid taxation on amounts used to pay qualified insurance premiums on certain benefit plans offered by UT.

Health Care Reimbursement Account or HCRA: a UT FLEX Health Care Reimbursement Account established to satisfy the requirements of Sections 105(b) and 106 of the Internal Revenue Code in order to provide for reimbursement for qualified health related expenses.

PayFlex Debit Card: a card, similar to a credit card, which electronically debits funds from an HCRA when an eligible expense is incurred at qualifying merchant locations.

PayFlex System USA, Inc.: the organization designated and contracted by UT to coordinate claim reimbursements for the Health Care Reimbursement Account and the Day Care Reimbursement Account.

Period of Coverage: the period during which coverage of benefits under the FLEX Plan is available to and elected by a Participant. Normally the period of coverage coincides with the plan year. However, an employee who becomes eligible to participate (i.e. a newly hired employee or an employee who gains eligibility through a qualified change of status) during a plan year may elect to participate for a Period of Coverage commencing on the employee's Entry Date and ending as of the last day of the month in which employment ends.

Plan Administrator: a licensed third party administrator with which UT contracts to coordinate claim reimbursements for the Health Care Reimbursement Account and the Day Care Reimbursement Account. Currently, PayFlex Systems USA, Inc. is the Plan Administrator of the UT FLEX plan.

Plan Year: means a twelve (12) month period commencing September 1 of each year and ending August 31 of the following year.

Salary Conversion Agreement: means a written agreement by and between the Employer and Participant under which the Employer during the plan year reduces the Participant's salary and contributes the amount of the reduction to the Plan on behalf of the Participant, as a before-tax contribution.

Substantiation: The submission of itemized receipts, statements, or invoices which document 1) the date of service 2) the type of procedure/service provided 3) the amount paid for the procedure or service. In addition, for those submissions where insurance proceeds may be available, the insurance Explanation of Benefits is required to properly substantiate what out-of-pocket expense is eligible for UT FLEX reimbursement.

UT System: The University of Texas System.

UT FLEX Plan: the Cafeteria Plan established pursuant to the laws of the State of Texas and by means of a plan document, any and all exhibits or documents which are incorporated and made a part hereof by reference, including separate written plans of the University of Texas System and any amendments which may be made to the UT FLEX Plan from time to time.

Eligibility

Participation in the Insurance Premium Redirection Plan allows pre-tax premium redirection of a portion of an Employee's salary toward payment of the Employee's share of premiums for Program plan coverage, thus decreasing the actual cost of the benefits for the Employee.

Any active UT employee, who is eligible to participate in a UT System Group Insurance Plan pursuant to Chapter 1601 of the Texas Insurance Code, is eligible to

participate in the UT FLEX Plan including the UT FLEX Plan Health Care Reimbursement Account and/or the UT FLEX Plan Dependent Day Care Reimbursement Account.

Retired employees and return-to-work retired employees are NOT eligible to participate in UT FLEX.

Enrollment

Premium Redirection Plan

Enrollment in the UT FLEX Premium Redirection Plan, a pre-tax redirection plan, occurs automatically when an employee elects to participate in any medical, dental, vision, employee only life insurance under \$50,000, or accidental death and dismemberment insurance plan that requires an out-of-pocket premium contribution by the employee. The employee's part of the premiums for that coverage will be automatically deducted from the employee's monthly salary and redirected automatically through UT System's pre-tax premium redirection plan. An employee must execute a salary conversion agreement upon enrollment into an optional coverage or plan to allow premium redirection to occur, but the employee is not required to execute a new agreement at the beginning of each plan year to continue participation in the Insurance Premium Redirection Plan. UT System self-administers the pre-tax premium redirection portion of the Plan.

Flexible Spending Accounts

Participation in the UT FLEX Flexible Spending Account (FSA) Plans requires a separate enrollment process. PayFlex Systems USA, Inc. (PayFlex) currently administers the UT FLEX FSA Plans, which consist of the Health Care Reimbursement Accounts (HCRA) and the Dependent Day Care Reimbursement Accounts (DCRA). Elections for HCRA and DCRA include a separate salary conversion agreement to allow deductions from your salary.

The elections must be made on an annual basis, and will NOT renew unless you make a separate election during the designated Annual Enrollment period.

- Employees are eligible to enroll in and contribute to a UT FLEX reimbursement account:
- During their initial 31 days of employment;
- If they have a qualified Change of Status event; or
- During the Annual Enrollment period.

During First 31 Days of Employment

An employee who is newly eligible to be a Participant may enroll in the HCRA and/or the DCRA account during the first 31 days of employment. If the newly benefits-eligible employee completes the enrollment form by no later than the last day of the month of hire, the employee may determine the effective date of coverage for the UT FLEX program to be either the first day of active employment or the first of the month following the first day of active employment.

If the newly benefits-eligible employee completes the enrollment form within 31 days of employment but after the month of hire, the employee must determine the effective date of coverage for the UT FLEX program to be either the first of the month following the first day of active employment or the first of the month following completion of the enrollment form.

There is no required waiting period for the UT FLEX program. Therefore, the effective date for the UT FLEX program will coincide with the effective dates of coverage described above.

Change of Status

UT FLEX FSA enrollment cannot be changed or revoked unless there is a qualifying Change of Status Event which allows the employee to make a change consistent with the qualifying event. You have **31 days*** from the date of the Change of Status event to notify your institution Benefits Office and change your benefit selections. If you do not make your changes during the **31 day** Status Change period, your changes cannot be made until the next Annual Enrollment, to be effective the following September 1.

The list below includes common examples of qualified Change of Status events:

- Marriage, divorce, annulment, legal separation, or spouse's death
- Birth, adoption, medical child support order, or dependent's death
- Significant change in residence if the change affects you or your dependents' current plan eligibility
- Starting or ending employment, starting or returning from unpaid leave of absence, or a change of job status (e.g., from non-benefits eligible part-time to full-time)

After 31st Day of Employment

If an employee does not enroll in a UT FLEX reimbursement account during the first 31 days of employment, the next opportunity to enroll will be during the next Annual Enrollment period or upon the occurrence of a qualifying Change of Status event during the plan year.

Annual Enrollment Period

During each Annual Enrollment period, an employee has the opportunity to enroll or re-enroll in the UT FLEX reimbursement plan for the upcoming plan year. **All employees must actively enroll and designate the amount of withholding during each Annual Enrollment Period. The effective date will be the following September 1.**

- Change in dependent's eligibility (e.g., marriage, gaining or losing eligibility)
- Change in coverage or cost of other benefit plans available to you and your family (DCRA only)

For questions regarding a qualified Change of Status, please contact your institution Benefits Office.

Although a qualified Change of Status event may occur during the plan year, the effective date of the UT FLEX annual election will not change. If an employee elects to decrease the annual election amount to an FSA following a qualified Change of Status event during the plan year, the revised annual election amount cannot require a distribution of any FSA funds to the Employee. This means the revised election amount cannot be lower than:

- the amount of total reimbursement already paid to the Employee during the plan year prior to the status change; or
- the total amount of contributions made by the Employee to the FSA during the plan year prior to the effective date of the status change.

Administrative Errors

Check your first paycheck following initial enrollment or changes in enrollment to ensure your elected UT FLEX contributions are correct and properly designated for the plan year. The only change allowable to FSA elections, other than a change due to a qualified Change of Status, is correction of an enrollment election where there is clear and convincing evidence that the error was caused by a clerical error.

You have 31 days from the date of the first paycheck stub in the fiscal year which contains the deduction to recognize the error and contact your institution Benefits Office to request a correction of such an error; otherwise, your request will not be approved.

Leave of Absence

Employees on Paid Leave of Absence

Participants who are on any type of leave in which they continue on the payroll of their employing institution must continue to participate in any FSAs in which they are enrolled while on leave. You may continue to submit claims for health care expenses under HCRA while on paid leave of absence. Under IRS rules, day care expenses incurred while you are on a leave of absence and not working are not eligible for reimbursement under DCRA. However, you can use your DCRA contributions made during your leave of absence to obtain reimbursement for eligible expenses incurred prior to and after returning from your leave of absence. You should re-evaluate your DCRA contributions when you return from leave of absence.

for reimbursement. The individual may elect to begin contributions again upon return to active employment within the same plan year. HCRA contributions will again be deducted on a pre-tax basis for the remainder of the plan year.

Important: For HCRAs the total contributions for the plan year (including contributions made during LWOP) must always be equal to the annual election amount at the end of the plan year unless a change is made pursuant to a Change of Status. When returning from LWOP, the Employee cannot reduce the total election to an amount that would be less than the amount of claims previously filed with the Plan Administrator.

For Employees on a Leave of Absence Without Pay (LWOP) with Health Care Reimbursement Accounts (HCRAs)

Participants on Leave of Absence Without Pay (LWOP) may elect to continue participating in the HCRA by writing a check each month directly to the employing institution. UT FLEX payments made by an employee on LWOP must be made on an after-tax basis. If payments continue, health care expenses incurred during the leave period are eligible for reimbursement.

If a Participant does not elect to contribute to their HCRA account during the LWOP period, health care expenses incurred during the leave period are not eligible

For Employees on a Leave of Absence Without Pay (LWOP) Due to Active Military Duty

Pursuant to the Heroes Earnings Assistance & Relief Tax Act of 2008 (The HEART Act), participants on Leave of Absence Without Pay (LWOP) due to active military duty of 180 days or more, or for an indefinite period, may elect to request a refund of any unused HCRA funds. The participant may also cease contributions of any additional HCRA elections. The refunded amount will be reported as taxable income to the participant. The application for the distribution must be made after the order to active duty is issued and before the last day of the plan year including any grace period in which the order was issued. A copy of the order to active duty must be provided along with the application.

For Participants on a Leave of Absence Without Pay (LWOP) with Dependent Day Care Reimbursement Accounts (DCRAs)

Participants on LWOP may not contribute to a DCRA or incur reimbursable expenses while on LWOP. DCRA Participants on LWOP may submit claims for reimbursement for eligible claims incurred prior to the period in which the Participant is on LWOP. Contributions must resume at the previous annual election level upon return to active employment unless

the Participant makes a timely change due to a Change of Status.

Changing from an active employment status to LWOP status, or vice versa, is a qualified Change of Status event. An employee with an HCRA or DCRA may elect to increase or decrease the annual election amount within 31 days of either beginning LWOP or returning to active employment from LWOP status.

COBRA Continuation Coverage

For Health Care Reimbursement Accounts, a Participant who terminates employment with a remaining HCRA balance may choose to continue coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA). Coverage continuation may continue through the end of the plan year in which the individual ceases to be an Eligible Participant. The Institution Benefits Office will notify the individual of the option to continue coverage and provide information on election and

payment procedures. The contributions to continue participation under COBRA are made on an after-tax basis and must be the same as monthly payroll deductions made during active employment plus a two percent administrative fee.

COBRA Continuation Coverage is not available for the Dependent Day Care Reimbursement Account.

Retirement

Retired employees, including return-to-work retired employees, are NOT eligible to enroll in UT FLEX. However, while you are an active employee, you may enroll in UT FLEX. Your Period of Coverage under UT FLEX will cease on your retirement date. Federal law permits you to continue your HCRA coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA) during the plan year in which you retire if you were already participating in the Account as an active

employee. Your Health Care Reimbursement Account COBRA coverage will end at the end of the plan year in which you retire. Because payment for UT FLEX COBRA is made with after-tax dollars, you should only continue your Health Care Reimbursement Account through COBRA if you have a remaining account balance and do not have outstanding reimbursable expenses incurred prior to your date of retire.

Termination of Participation

Participation in UT FLEX will terminate on the earliest of the:

- 1) last day of the month in which you cease to be an UT employee;
- 2) date you no longer meet the eligibility requirements;
- 3) date the UT FLEX plan is amended or it is terminated;
- 4) effective date of your UT FLEX election not to participate for an upcoming plan year; or
- 5) last day of the plan year for which the benefit was elected, typically August 31.

Insurance Premium Redirection Plan

If you meet the definition of an “employee” under Texas Insurance Code, Chapter 1601, you are qualified to participate in the UT FLEX Insurance Premium Redirection Plan. Through the Insurance Premium Redirection Plan, your salary is reduced by the amount of premium that you have elected to pay and the University contributes the deducted amount of money towards certain UT group insurance premiums for which you are enrolled.

Note: When you make an election for one of the plans listed above that requires an out-of-pocket premium, the election constitutes Your agreement to participate in the Insurance Premium Redirection Plan. If premiums change upward or downward, your salary is increased or decreased in the same manner as the premium increase or decrease (adjustments will occur automatically).

The plans for which the employee’s portion of premiums can be paid through the Insurance Premium Redirection Plan are:

- 1) Group medical coverage, sponsored by UT, for you and your dependents;
- 2) Group dental coverage (HMO or indemnity plan) for you and your dependents;
- 3) Group vision coverage for You and your dependents;
- 4) Group voluntary term life coverage for the first \$50,000 in coverage if you are enrolled in basic coverage (includes \$20,000 basic life) or for the first \$50,000 coverage if you waive all basic coverage and receive no basic life coverage. Premium redirection is not available for dependent life coverage; and
- 5) Group accidental death and dismemberment coverage for you and your dependents.

Understanding Flexible Spending Accounts

Flexible Spending Accounts (FSAs) provide a tax-advantaged way to pay certain out-of-pocket health care expenses and work-related day care expenses. Each account allows you to pay your expenses with "pre-tax" dollars, which means you get a tax deduction for these expenses before you ever file your tax return. You don't pay federal income or Social Security taxes on this money.

The UT FLEX plan includes two FSA options:

- 1) Health Care Reimbursement Account (HCRA): You can set aside money on a pre-tax basis to pay for qualifying out-of-pocket medical, dental, vision or hearing expenses that are not covered under your existing insurance plans; and
- 2) Dependent Day Care Reimbursement Account (DCRA): You can set aside money on a pre-tax basis to pay for qualifying work or school-related child or adult day care expenses.

What is the advantage of using the UT FLEX Flexible Spending Accounts?

The advantage of these accounts is you do not pay federal income or Social Security taxes on this money. By paying for qualified insurance coverages on a pre-tax basis, and by paying your out-of-pocket medical and day care expenses through the Flexible Spending Accounts, you can lower the amount of taxes you pay. You add dollars to your spendable income, and that means you have more take-home pay and more money in your pocket.

How do the FSAs work?

Follow these easy steps:

- Estimate the amount you will spend on out-of-pocket health care and/or day care expenses.
- Decide how much you wish to set aside into a HCRA and/or DCRA account(s). (See the section on Day Care Election Limits for important information about annual calendar year limits on day care expense reimbursements). The amount(s) you wish to set aside into your account(s) will come out of your paycheck (on a pre-tax basis) in equal amounts each pay period on a schedule established by your UT institution.

- As you incur expenses throughout the year, submit a claim form along with documentation of your qualified expenses, and then you are reimbursed for these expenses from your account(s). You can be reimbursed by check or direct deposit. If you elect the PayFlex Debit Card (available for the HCRA ONLY), you can use the card to seek reimbursement for qualified expenses at the location in which you receive the service. Don't forget to save all receipts for expenses charged to your PayFlex Debit Card as you will be asked by PayFlex for some or all of your receipts at a later date.
- Claims for both Health Care and Day Care Reimbursement Accounts must be filed by **November 30** following the end of the plan year.
- Qualified health care expenses may be incurred from a participant's entry date through the end of the Grace Period. The Grace Period normally ends on **November 15** following the end of the plan year.
- Qualified day care expenses may be incurred from a participant's entry date through the end of the plan year, typically August 31. **The Grace Period does not apply to the Dependent Day Care Reimbursement Account.**

Important Notice: FSAs are regulated by the Internal Revenue Service, and are subject to specific laws and regulations. You must make your election decision(s) before the new plan year begins each year or before your effective date if you are newly eligible. The election decision(s) remains in effect for the plan year, unless you have a qualifying change of status event, such as a marriage, birth, death of a dependent, etc. Check with your UT institution Benefits Office if you have questions about qualifying events. Any funds remaining in your account at the end of the reimbursement period are forfeited. You can avoid forfeitures if you plan carefully (review your prior year's expenses to estimate what you may have the next year), are conservative in estimating your expected expenses, and plan only for predictable expenses.

Do I have to enroll in a UT medical, dental, or vision plan in order to enroll in the UT FLEX plans?

No, as long as you are eligible for group insurance benefits offered by UT, actual enrollment is not required in order to participate in the UT FLEX plans.

Are there any fees associated with the plan?

UT FLEX participants pay an annual administrative fee of \$12 for each UT FLEX FSA account elected. If both accounts are elected, the administrative fee is \$24. This administrative fee is deducted from your first election contribution and is pro-rated for mid-year elections. Additionally, there is a \$9 annual fee for participants electing the PayFlex Debit Card option on the HCRA.

How can I find out more about UT FLEX?

If you have additional questions about the UT FLEX plans, call PayFlex Customer Service or you may access the UT FLEX website at www.utflex.com and click on “Frequently Asked Questions”. In addition to contacting PayFlex, your UT System institution Benefits Office can assist you in learning more about UT FLEX.

PayFlex
1-866-887-3539
(1-866-UTS-FLEX)
(M-F 7:00 AM -7:00 PM Central Time)
www.utflex.com

Helpful Hints Regarding UT FLEX Enrollment

- Carefully read this booklet and calculate your estimated expenses.
- Enrollment in UT FLEX is coordinated through UT’s online enrollment system (known as *My UT Benefits*) during the Annual Enrollment period. Enrollment for newly hired employees outside of the Annual Enrollment period is coordinated through your UT institution Benefits Office.
- Call your UT institution Benefits Office for assistance with enrollment questions.

“Use It or Lose It” Rule

Any amount remaining in the account at the end of the reimbursement period (plan year for Dependent Day Care Reimbursement Accounts, plan year + Grace Period for the Health Care Reimbursement Account), after reimbursements have been made for all qualified claims received by PayFlex, will be forfeited by the Participant.

Because UT FLEX is a "use it or lose it" benefit, you should carefully estimate all expected out-of-pocket qualified health-care related expenses for a particular plan year.

Some expenses, such as medical, dental, and vision deductibles are usually relatively easy to estimate, but many other expenses, such as prescriptions or qualified over-the-counter items, are unforeseen. Although it is to your advantage to estimate the amount to be deposited into your Health Care Reimbursement Account as close to your actual costs as possible, predicting the exact amount is probably not possible in most cases. Therefore, it is normally advisable to underestimate health care expenses that will be eligible for reimbursement under the Plan in order to help ensure no funds are forfeited at the end of the plan year.

Claim Reimbursement

There are three methods of submitting claims to PayFlex:

- 1) using a hard copy claim and faxing or mailing the information to PayFlex;
- 2) using the electronic Express Claims system at www.utflex.com; or
- 3) for the HCRA, using the PayFlex Debit Card and, as required, submitting supporting documentation to confirm the transaction was for an eligible expense.

Paper Claims

Using the UT FLEX paper claim form, you can request reimbursement of eligible health care expenses incurred by you or your eligible dependents during the Period of Coverage.

The claim must contain the following:

- a) the amount, date, and nature of the expenses with respect to which a reimbursement is requested;
- b) the name of the person, organization, or entity which provided the service related to the expense; and
- c) other information as requested by PayFlex (i.e. actual itemized receipts for expenses, an explanation of benefits form, or an itemized bill).

Copies of cancelled checks cannot be substituted for the itemized receipt or the explanation of benefits.

Claims should be mailed or faxed to:

PayFlex Systems USA, Inc.

Flex Department

P.O. Box 3039

Omaha, NE 68103-3039

Customer Service: Toll-Free 1-866-887-3539

Fax: Toll-Free (877) 230-4283

(Monday-Friday 7:00 AM - 7:00 PM Central Time)

www.utflex.com

Claim forms are available at your UT institution Benefits Office, on the PayFlex website at www.utflex.com, or on the UT website at: www.utsystem.edu/benefits.

EXPRESS Electronic Claims

PayFlex also offers EXPRESS Claims service. This method of filing claims will allow Participants to send their receipts electronically. In order to upload your receipts, they will need to be scanned into a PDF format. Participants can also continue to print out a completed claim form, attach the necessary documentation to substantiate the claims being filed, and fax to PayFlex. Upon receipt, PayFlex will process the claims within 3 business hours. Once the claim is processed, the Participant will receive an immediate e-mail letting them know the claim has been handled. Participants can access EXPRESS Claims at www.utflex.com.

Health Care Reimbursement Account Claims

You may submit charges related to different services and/or yourself and covered dependents at the same time. The Explanation of Benefits (EOB) form that is supplied by the medical, dental or vision programs, and any receipts or bills must be filed with your claim form. If the EOB, itemized receipt or bill is not included, PayFlex may delay or decline reimbursement until one or both of the above is supplied. If you retire or terminate employment during a plan year, you may receive benefits for charges incurred during your Period of Coverage even though a claim had not been filed at the time of your retirement or termination. However, claims must be filed on or before November 30 following the end of the plan year in which the retirement or termination occurred.

Note: Claims are reimbursed only for health care expenses incurred during the Period of Coverage. All claim submissions for expenses incurred during a plan year must be received by PayFlex or postmarked on or before November 30 following the end of an applicable plan year. Any amounts remaining in a Participant's account after the November 30 deadline will be forfeited.

PayFlex Systems USA, Inc. may ask for an insurance EOB to accompany a receipt to ensure that there is no insurance coverage.

Dependent Day Care Reimbursement Account Claims

You may submit charges related to different day care services or even different individuals at the same time. If the receipt or bill is not included, PayFlex may delay or decline reimbursement until one or both of the above is supplied. Claims will be processed when received by PayFlex, and paid when your payroll deposit is made. If you terminate employment during a plan year, you may receive benefits for charges incurred during the Period of Coverage even though a claim had not been filed at the time of termination.

However, claims must be filed on or before November 30 following the end of the plan year in which the termination occurred.

Note: Claims may only be made for day care expenses received during the Period of Coverage. All claim submissions for expenses incurred during a plan year must be received by PayFlex or postmarked on or before the November 30 claim submission deadline following the end of an applicable Plan Year. Any amounts remaining in a Participant's account after November 30 will be forfeited. This is a requirement of federal law. UT cannot make any exceptions to these rules.

Claim Reimbursement Denial

If a claim is denied, in whole or in part, you will receive written notice from PayFlex within 30 days of the date your claim was received. This notice will state:

- 1) the specific reason for denial and Plan provision on which the denial is based;
- 2) a description of any material or information necessary to reverse denial (this information must be provided within 45 days); and
- 3) steps to be taken if you wish to request a review of the decision, including your right to submit written comments, your right to review relevant documents and other information.

If your claim is denied in whole or part, you may request review upon written notice. You have the right to appeal a denial for reimbursement decisions by sending a written request for review within 31 days of your receipt of denial to PayFlex. Your written request for review should state the reasons that you feel your claim should not have been denied and include any additional facts and/or documents that you feel support your claim.

Your appeal will be reviewed and decided by PayFlex in a reasonable time not later than 60 days after PayFlex receives your request for review. 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 the reason for the decision on review and Plan provision on which the decision is based; a statement of your right to review relevant documents and if an internal rule, guideline, protocol or other similar criterion is relied on in making the decision on review; and a description of that rule or a statement that such rule will be provided free of charge to you upon request.

Written appeals should be mailed or faxed to:

PayFlex Systems USA, Inc.

Flex Department
P.O. Box 3039
Omaha, NE 68103-3039

Customer Service: Toll-Free 1-866-887-3539

Fax: Toll-Free (877) 230-4283
Monday-Friday 7:00 AM - 7:00 PM CT
Saturday 9:00 AM – 2:00 PM CT

www.utflex.com

If my appeal to PayFlex is denied, do I have other appeal rights?

Yes, you may further appeal in writing to:

The University of Texas System

Office of Employee Benefits
702 Colorado Street, Suite 2.100
Austin, Texas 78701

Phone: (512) 499-4616
Fax: (512) 499-4620

Your appeal of the denial of a claim by PayFlex must contain the following:

- a) a letter stating the date of the service(s) for which your request was denied, and why you believe the claim should be approved;
- b) a copy of the denial letter you received; and
- c) any additional documentation or information you think may have a bearing on your appeal.

Can I appeal mid-year enrollment decisions or Change of Status decisions?

Yes, you have the right to appeal the decision of your UT System institution Benefits Office regarding mid-year enrollment elections or Change of Status denials. You may appeal mid-year enrollment or Change of Status decisions by mailing or faxing a written request within 31 days of receipt of the denial to:

The University of Texas System

Office of Employee Benefits
702 Colorado Street, Suite 2.100
Austin, Texas 78701

Phone: (512) 499-4616

Fax: (512) 499-4620

Your written appeal must contain the following:

- 1) a letter stating the name of the UT System institution at which you are employed and the reason why you believe the mid-year enrollment or Change of Status should be approved;
- 2) a copy of the denial letter you received (if applicable) or a written summary of the discussion you had with your institution Benefits Office; and
- 3) any additional documents or information you think may have a bearing on your appeal.

Note: Exceptions can be permitted on appeal only if deemed to be extenuating circumstances as permitted by applicable law.

All determinations made by the UT System Office of Employee Benefits are final.

Potential Disadvantages of UT FLEX Participation

NOTE: The following are potential disadvantages of UT FLEX participation for you and your family that you may wish to discuss with your tax advisor.

- Your Social Security benefits may be reduced if you participate, because when you receive tax-free benefits under the Plan, it reduces the amount of contributions that you make to the federal Social Security system as well as the UT's contribution to the Social Security system on your behalf. However, the tax savings that you realize through Plan participation will often more than offset any reduction in other benefits. (Note: Your retirement benefits from the Teacher Retirement System of Texas or Optional Retirement Plan offered by UT are not affected by your participation in UT FLEX.)
- The amounts credited to your Health Care and/or Day Care FSA account(s) for any Plan Year can be used only to reimburse you for eligible expenses incurred during the plan year or your applicable period of coverage. In addition, funds in one account cannot be used for expenses in another account.
- You must apply for reimbursement on or before the 90th day following the close of the plan year. After all claims for a plan year have been settled, according to IRS Regulations, any remaining money left in any one account (health care and/or dependent day care) must be forfeited, and this money defaults to UT to be used to offset UT FLEX administrative expenses and future costs. For example, if you designate \$5,000 annually to your Day Care FSA account and by the end of the plan year you spent only \$4,500, you will forfeit \$500.
- Your FSA expense account(s) will begin the new plan year with a zero balance. Because money is forfeited if it is left in the account at the end of the plan year for the Day Care Reimbursement Account or the end of the Grace Period for the HCRA, it is important that you carefully estimate what you will spend in each area of the benefit plan.
- The IRS regulations strictly limit UT FLEX changes and some corrections during the plan year.

Health Care Reimbursement Account (HCRA)

If you are an active employee who is eligible to participate in a UT group insurance plan, you are eligible to enroll in the Health Care Reimbursement Account (HCRA). Retired employees, including return-to-work retired employees, are not eligible to participate. HCRAs enable you to pay for health-related services, which are not covered by your medical, dental, or vision insurance plans with pre-tax dollars. To qualify as a HCRA claim, services must be provided to you and your qualified dependents who you claim for federal income tax purposes. This benefit may result in significant savings for you and your family.

For example, if you were not participating in a UT FLEX HCRA and you are in a 28% income tax bracket, you must earn \$310.80 in order to pay a \$200 medical bill with after-tax dollars. Both income tax and Social Security and Medicare taxes would have to be paid on the \$310.80. At the 28% tax bracket, the income taxes would be \$87.02 while the Social Security and Medicare tax would be \$23.78, assuming that the Social Security maximum had not been met. After these taxes have been paid, only \$200 of the \$310.80 would remain to pay the medical bill. Under this example, you would save \$110.80 by contributing pretax dollars to the HCRA and using these dollars to pay for the expense.

You must elect the amount of funds to be deposited into your HCRA each year during the Annual Enrollment period. If you are newly eligible to participate in the UT FLEX program, you must complete the appropriate documentation through your UT institution Benefits Office within 31 days of becoming eligible.

Your HCRA begins each plan year with a zero dollar balance. Then, once payroll is processed, your funds will be deposited into your UT FLEX account. The full plan year election amount (reduced by prior reimbursements) will be available to reimburse you for qualifying, eligible health care expenses incurred during the plan year, regardless of the amount you have contributed when you submitted the claim (so long as you remain a Participant and have continued to make contributions). You will not be reimbursed for expenses greater than your annual election.

Qualified health care expenses must be incurred during the Period of Coverage, which for the HCRA is the plan year plus the Grace Period.

Election Limits

UT limits the election amount allowable within a HCRA to the smallest of:

- 1) your annual taxable income;
- 2) your spouse's annual taxable income; or
- 3) a plan year total of \$5,000 (approximately \$416 per month for a 12-month employee; \$555 per month for a 9-month employee; the minimum amount of contribution is \$15 per month).

PayFlex Debit Card

UT FLEX offers you a fast and easy way to receive reimbursements from your HCRA through the use of the PayFlex Debit Card. The PayFlex Debit Card electronically debits funds from your HCRA when an eligible expense is incurred. You are eligible to elect the PayFlex Debit Card when you first enroll in the HCRA or during Annual Enrollment. There is a \$9 annual fee for the PayFlex Debit Card. For newly eligible employees enrolling in this benefit after October 1 of a plan year, the cost is prorated to \$0.75 cents per month.

The advantages of this card are:

- 1) you don't have to pay money out of your pocket at the time of service by the provider;
- 2) you don't have to complete a claim form (you must, however, save your receipts in case you are asked by PayFlex to substantiate your claim); and
- 3) you don't have to wait for a reimbursement check to arrive in the mail.

When you enroll in the UT FLEX HCRA, you may elect the PayFlex Debit Card. In subsequent years, upon reenrollment in the HCRA, your PayFlex Debit Card election may be continued or cancelled during Annual Enrollment. You may order additional cards for family members by contacting PayFlex. If you choose continuous enrollment in the HCRA with the debit card, your PayFlex Debit Card is valid until the expiration date shown on the card.

Important: PayFlex is required by law to audit UT Participants who elect the PayFlex Debit Card to ensure that reimbursements are limited to qualified expenses. If you enroll in the PayFlex Debit Card, it is essential that

Debit Card Overpayment

Overpayments are amounts that are charged by a Participant through a PayFlex Debit Card transactions but remain unsubstantiated by the Participant as required by the UT FLEX Plan rules and the IRS. An overpayment that remains unsubstantiated must be paid back by the Participant to the UT FLEX Plan. Overpayments returned to the UT FLEX Plan during the current plan year are returned to your Health Care Account for your use on other eligible HCRA expenses incurred during the remainder of the current plan year.

you retain your itemized receipts and EOBs for a minimum of one year. Although PayFlex can minimize audit requests through the use of claims data supplied directly to PayFlex from the various benefit plan administrators contracting with The University of Texas System Office of Employee Benefits, not all claims information is supplied via the data from these administrators. Thus, you may still receive periodic requests for proof of eligible expenses in the form of a letter requesting the necessary documentation. Failure to provide the required information will result in deactivation of the PayFlex Debit Card, and you will be required to reimburse PayFlex for the unsubstantiated expenses.

The PayFlex Debit Card can be used at non-healthcare related merchant locations, drug stores, retail pharmacies and online pharmacies that have implemented an inventory information approval system (IIAS). The IIAS retailers' point of sale system identifies eligible healthcare purchases by comparing the inventory control information for the items being purchased against a pre-established list of eligible health expenses. The PayFlex Debit Card will continue to be accepted at healthcare related merchants and service providers such as doctors, dentists and vision care centers.

For a detailed list of merchants who have implemented IIAS, and for information regarding eligible and ineligible expenses which qualify for reimbursement through the PayFlex Debit Card, visit the PayFlex Service Center at www.utflex.com. It is your responsibility to use the card only for qualifying expenses, and to provide the Plan Administrator with the required documentation to substantiate an expense upon request.

If an overpayment is not resolved on a timely basis:

- 1) Your PayFlex Debit Card will be deactivated;
- 2) Overpayment amounts will be deducted from subsequent Mail/Fax/Express claims for the current plan year; and
- 3) Ultimately, your overpayments will be referred for collection and/or the imposition of administrative remedies available to UT System.

To prevent such consequences, you must contact the PayFlex Customer Service unit as soon as you receive notification of an overpayment.

Grace Period

UT FLEX HCRA Participants are allowed a Grace Period to incur qualified health care expenses to be used to seek reimbursement of funds from prior plan contributions which remain at the end of a plan year. This Grace Period begins the day after the last day of the UT FLEX plan year (August 31) and extends for 2 ½ months. The Grace Period normally ends on November 15th. UT FLEX HCRA Participants have until the last day of the Grace Period to incur eligible health care

expenses that may be used to exhaust their remaining HCRA balance. The Grace Period is separate from and does not impact the November 30th deadline for submitting claims for reimbursement for eligible health care expenses incurred during the previous plan year.

Important: The Grace Period does NOT apply to the Dependent Day Care Reimbursement Account.

Examples of Eligible Health and Medical Care Expenses

Eligible medical care expenses include amounts paid 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. Expenses solely for cosmetic reasons are not generally expenses for medical care and may not be eligible. Expenses that are merely beneficial to one's general health are not expenses for medical care. In some cases,

you may be asked to provide a letter of medical necessity from your attending physician to substantiate your claim.

IMPORTANT: Over-the-counter (OTC) medicines and drugs require a written prescription (Rx) from your doctor in order to get reimbursed. In addition, OTC drugs or medicines cannot be purchased with a healthcare card such as the PayFlex Debit Card™.

*Items marked with (Rx Required) require a prescription to be eligible for reimbursement

A Acne treatment, includes over-the-counter acne medications; excludes cost of regular skin care (Rx required – see notice above) Acupuncture Alcoholism treatment Allergy treatments (over-the-counter drugs, prescription medications and allergy shots) (Rx required – see notice above) Alternative healers, professional fees of Ambulance service Antacids (Rx required – see notice above) Artificial insemination Artificial limb/teeth Autoette (wheelchair) Automobile modifications (if medically necessary)	Circumcision Co-insurance, co-pay amounts and deductibles Cold Medicine (over-the-counter drugs including sore throat sprays, lozenges, nasal sprays, cough syrups, cough drops, vapor rubs and prescription medications) (Rx required – see notice above) Computer data bank fees, medical history Contact lenses and cleaning solutions Cosmetic surgery and procedures to correct congenital abnormality or treat injury resulting from accident Counseling (for treatment of specific medical condition) Crutches
B Battery-powered toothbrush (if medically necessary and prescribed by physician) Birth control prescriptions (also includes Norplant, Mirena) Birth control, over-the-counter drugs (spermicides) (Rx required – see notice above) Birth control, over-the-counter supplies (condoms, ovulation kits) Blood pressure monitoring devices Body scans for diagnostic purposes Bone density testing Braille books and magazines (excess of amount paid over cost of regular printed editions) bought for visually impaired person Breast pumps and supplies that assist lactation	D Deductibles Dental treatment (includes exams, x-rays, fillings, root canals, gum disease treatment, crowns, bridges, dentures, implants, sealants, extractions, orthodontia; does not include cosmetic treatments such as teeth whitening, dental veneers, bonding, etc.) Dental veneers (for non-cosmetic reasons) Diabetic supplies (insulin, syringes, testing strips, glucometers) Diagnostic services and tests Diapers (if required due to medical condition) Drug dependency treatments Drugs (prescription drugs, insulin; see Over-the-counter Drugs/Medicines; does not include cosmetic drugs (e.g., Retin-A, Renova, Propecia, etc.) Dyslexia treatment
C Capital expenditures (See <i>IRSPublication502</i> - Capital Expenses [Only a qualified financial or tax consultant can make an absolute determination with regard to the qualification of capital expenditures]) Childbirth expenses (physician, midwife) Childbirth preparation classes (excludes portion of mother's coach, feeding and newborn care) Chiropractor professional fees Cholesterol testing Christian Science Practitioner fees	E Egg donor charges for recipient Eye surgery (cataract, LASIK, corneal rings, etc.) Eyeglasses, prescription (includes prescription sunglasses; also includes over-the-counter reading glasses) Eye examinations F Fertility exams Fertility treatments (ovulation predictor kits and pregnancy tests, in vitro fertilization, surgery or operations to reverse a prior surgery that prevents you from having children)

First Aid Kit
Flu shots
Fluoridation device (if medically necessary & prescribed by physician)

G

Genetic testing
Guide dog or other animal used to assist persons with physical disabilities
Gynecologists' fees

H

Health institute
Health insurance deductibles (associated with specific costs)
Health screening (cholesterol checks, bone density testing, blood pressure testing, hearing exams)
Hearing aids and batteries
Home health care
Home medical equipment
Home modifications for handicapped person (see capital expense)
Hospital services
Hypnosis for medical reasons

I

Immunizations
In vitro fertilization
Inclinators
Infertility treatments
Insulin and syringes

L

Laboratory fees
Lamaze classes (see childbirth classes)
Language training for child with dyslexia or disabled child
Laser eye surgery (cataract, LASIK, corneal rings, etc.)
Lead-based paint removal
Learning disability caused by mental or physical impairment, or nervous system disorders (treatment must be recommended by physician - see [IRSPublication502](#) - Learning Disability)
Legal fees (fees you pay that are necessary to authorize treatment for mental illness)
Lodging (see [IRSPublication502](#) - Lodging)
Long-term care services

M

Mastectomy-related special bras (the cost over & above the cost of a normal bra)
Meals (only as part of inpatient hospital care)
Medic-alert bracelet and subscription service
Medical conference admission and transportation to/from (if concerns chronic medical condition of you, spouse or child)
Medical equipment (crutches, wheelchairs, walkers)
Medical information plan
Medical monitoring and testing devices
Medical records charges
Medical services provided by physicians, surgeons, specialists or other medical practitioners
Medical Supplies (bandages, band-aids, gauze pads, thermometers, hot/cold packs, heating pads, nasal (breathe-right) strips, etc.)
Medicines/Drugs (prescription drugs, see Over-the-counter Drugs/Medicines with a prescription, insulin; does not include cosmetic drugs)
Mentally handicapped, special home for person adjusting from life in mental institution to community living
Mileage or fares related specifically to an eligible medical visit to and from healthcare providers, hospitals and pharmacies. Effective July 1, 2011, and until further IRS notice, the standard mileage rate for the use of a car (also vans, pickups or panel trucks), for eligible medical visits is \$.235 per mile. This rate has increased four cents from \$.19 per mile. The mileage rate for travel that has occurred between January 1, 2011 and June 30, 2011 will remain at \$.19 per mile. Actual fares for buses, taxis, trains and subways are reimbursable for the full cost. Submit an itemized statement showing date of service for each trip.

N

Norplant insertion and removal
Nursing home (if necessary for medical care and only the portion for medical services)
Nursing services
Nutritionist's professional expenses (if treating a specific medical condition; not for weight loss for general health)

O

Obstetrical expenses
Occlusal guards to prevent teeth grinding
Occupational therapy
Operations (legal operations that are not cosmetic in nature)

Optomtrist fees
Oral surgery
Organ donation fees
Orthodontia (see [Claim Filing Instructions](#))
Orthopedic devices
Orthopedic shoes (to the extent the cost exceeds that of normal shoes)
Osteopath fees
Over-the-counter Drugs/Medicines with a prescription (allergy medicines, antacids, anti-diarrhea, anti-fungal ointments and creams, antiseptic ointments and creams, cold medicines including sore throat sprays, lozenges, nasal sprays, cough syrups, cough drops, vapor rubs, eye drops, first-aid and antibiotic creams and ointments, gas relief medicines, hemorrhoid ointments and creams, laxatives, lice treatments, motion-sickness pills, pain relievers including arthritis pain, head/back pain and menstrual pain, sleep aids, stop smoking gums/patches, yeast infection products. Cosmetic items, vitamins, herbal and dietary supplements or items for general good health are not considered OTC drugs/medicines and are not eligible even with a prescription.)
Over-the-counter Supplies (such as crutches, bandages, OTC eyeglasses)
Ovulation monitor
Oxygen equipment

P

Pain Relievers (for arthritis pain, head/back pain, menstrual pain, muscle or joint pain, e.g., aspirin, ibuprofen; does not include vitamins or herbal supplements) (Rx required – see notice above)
Patterning exercises
Physical exams, routine physicals
Physical therapy
Physicians' fees
Pregnancy test, over-the-counter
Prescription drugs (for non-cosmetic reasons)
Prescription eyeglasses or prescription sunglasses
Prosthesis
Psychiatrists' fees (for medical reasons)
Psychologists' fees (for medical reasons)
Psychotherapists' fees (for medical reasons)
Psychoanalysis
Psychologist fees

R

Radial keratotomy/Ortho keratology
Reading glasses (prescription glasses or over-the-counter glasses)
Reconstructive surgery following mastectomy
Reverse vasectomy
Routine physicals

S

Schools and education, special (for mentally impaired or physically disabled person - see [IRSPublication502](#))
Shipping & Handling charges for medical needs (for mail-order prescriptions and over-the-counter supplies and prescribed over-the-counter drugs and medicines)
Sick-child care facility (for medical care only)
Skilled nurses' fees paid for medical reasons- including room, board and Social Security taxes
Sleep disorder and treatment
Speech therapy
Sterilization procedures (vasectomy or tubal ligation)
Stop-smoking programs (including hypnosis, over-the-counter gums and patches will require a prescription) (Rx required – see notice above)
Storage fees for embryo or sperm (fees for temporary storage of eggs or sperm only to extent used for immediate conception in current plan year)
Storage fees for umbilical cord blood (fees for temporary storage only to extent used for medical condition in current plan year)
Substance abuse treatment
Sunglasses (only if medically required due to specific medical condition & obtained at direction of physician)
Surgical fees (for legal operations not cosmetic in nature)

T

Taxes charged for medical services and products
Telephone consultations with a health care provider
Telephone or Television for hearing-impaired persons, special equipment
Therapy, physical or speech
Transplants (donor expenses, if you pay those expenses)
Transportation including mileage, fare for bus, taxi, train, plane and related travel expenses for person seeking treatment (See 'Mileage' and [IRSPublication502](#) - Transportation and Trips)
Treatment for substance addiction

U

Usual and customary, charges in excess of

V

Vaccines, vaccinations
 Vasectomy
 Vitamins (only if necessary to treat a specific medical condition and accompanied with a Letter of Medical Necessity)

W

Walkers
 Weight-loss program (only if medically necessary to treat existing disease (such as heart disease) and undertaken under physician's direction)
 Wheelchair
 Wigs (if purchased upon advice of physician for mental health of patient)

X

X-ray fee

Examples of Ineligible Health Care Expenses

A

Adoption fees

B

Baby-sitting, childcare or nursing services for a healthy baby
 Boutique practice fees, retainer fees, concierge fees

C

Chairs, recliner
 Childbirth preparation classes (portion that pertains to mother's coach, feeding and newborn care)
 Completing claim forms, fees for
 Controlled substances (marijuana, laetrile, etc.)
 Cord Blood Collection (can be reimbursed if there is a specific medical condition that the cord blood is intended to treat)
 Cosmetic surgery or procedures; cosmetic prescription drugs such as Retin-A, Renove, Propecia, etc. and cosmetics that contain acne fighting ingredients
 Counseling (marriage, family counseling)

D

Dancing lessons
 Dental veneers or bonding, or teeth whitening for cosmetic reasons
 Diaper service
 Divorce expenses
 Domestic help
 Doula services

E

Ear piercing
 Electrolysis or hair removal
 Exercise equipment for general health
 Exercise/Fitness programs for general health
 Expenses that have been reimbursed elsewhere, or that may be reimbursable under any other source
 Expenses not incurred during your period of coverage

F

Facelifts or other similar cosmetic treatments (dermabrasion, chemical peels, etc.)
 Funeral expenses

H

Hair transplant
 Health club membership dues
 Herbal supplements (dietary and nutritional supplements, vitamins, natural medicines, etc.)
 Household help

I

Illegal operations and treatments
 Insurance premiums

L

Lactation consultant for general instruction
 Laetrile
 Lamaze/Childbirth classes-see Childbirth preparation classes
 Late payment fees
 Lens replacement insurance
 Lifetime care fees
 Liposuction or other similar cosmetic treatments

M

Marriage, family counseling
 Massage therapy (unless recommended as medically necessary to treat a specific injury or illness; does not include therapy for stress or tension reduction)
 Marijuana
 Maternity clothes
 Mattress
 Meals while traveling to obtain medical care
 Medical newsletters
 Medical savings account

N

"No Show" doctor or dentist visits, charges for
 Nursing services for healthy baby
 Nutritional supplements (vitamins, herbal and dietary supplements, natural medicines, etc.)

P

Paternity testing
 Personal use items (items ordinarily used for personal, living or family purposes)
 Physical therapy treatments for general well-being
 Prepayment for services not yet provided
 Prescription drug discount programs, fees for

R

Recliner chair

S

Safety glasses
 Storage fees for embryo, sperm or umbilical cord blood, long term
 Student health fees
 Sun screen lotion
 Sunglasses, clip on
 Surrogate expenses
 Swimming lessons

T

Tanning salons and equipment
 Tattoo removal
 Tax Equity and Fiscal Responsibility Act (TEFRA)
 Teeth bleaching/whitening for cosmetic purposes
 Temporary Continuation of Coverage (TCC) premiums
 Tricare premiums

U

Union dues

V

Vacuum cleaner for allergies
 Varicose veins, treatment of
 Vision discount programs
 Vision service agreements or lens replacement insurance

W

Warranties/service contracts
 Weight loss programs for general health or appearance; diet foods for weight loss

Dependent Day Care Reimbursement Accounts (DCRA)

If you are an active employee who is eligible to participate in a UT Group Insurance Plan, you are eligible to enroll in the Dependent Day Care Reimbursement Account (DCRA). The objective of the DCRA is to enable you to pay for qualified dependent day care services with pre-tax dollars. Your participation in a DCRA can result in significant savings for you and your family. **Retired employees, including return-to-work retired employees, are not eligible to participate.**

Important: For certain individuals, participation in the DCRA may not maximize their available tax savings. Currently, the Internal Revenue Code allows a tax-credit for qualified dependent day care. The percentage of day

care expenses that can be taken as a tax credit varies according to an individual's adjusted gross income. Some individuals may save more by using the tax-credit available to them than by participating in a DCRA. For more information, consult with a qualified tax professional before enrolling in this account.

If you determine this option is appropriate for you and your family, you must elect the amount of funds to be deposited into your DCRA annually during the normal Annual Enrollment period. If you are newly eligible for the UT FLEX program, you must complete the appropriate documentation through your UT institution Benefits Office within 31 days of becoming eligible to enroll.

Election Limits

The Internal Revenue Service limits the maximum deduction amount allowable within a DCRA to the smallest of:

- 1) your annual taxable income;
- 2) your spouse's annual taxable income;
- 3) a plan year total of \$5,000 (approximately \$416 per month for a 12-month employee; \$555 per month for a 9-month employee; the minimum amount of contribution is \$15 per month) if you are single or a married person filing a joint income tax return; or
- 4) a plan total of \$2,500, if you are married and you and your spouse are filing separate income tax returns. For purposes of determining the maximum allowable deduction, where a Participant's spouse is a Full-time Student at an educational institution or the Participant's Qualifying Dependent, the spouse shall be deemed to have annual taxable income of not less than \$200 per month if the Participant has one dependent. If the Participant has two or more dependents, the spouse's annual taxable income shall be deemed to be \$400 per month.

Important: Federal law limits dependent day care deductions for an individual in any given **calendar year** (January 1 – December 31) to no more than \$5,000 (or \$2,500 if married and filing separately) for tax-filing purposes. The DCRA Plan operates on a September 1 - August 31 plan year basis. It is your obligation to ensure that the deductions you and those of your spouse, if any, make for the UT Flex plan year do not cause you to exceed the federal calendar year limits for such deductions.

The DCRA is NOT eligible for continuation benefits under the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA).

Qualifying Expenses

A "qualified dependent" for the DCRA is an individual who is:

- 1) a person under the age of 13 when care is provided and for whom you claim an exemption for income tax purposes;
- 2) your spouse who is physically or mentally incapable of caring for himself or herself; or
- 3) your dependent who is physically or mentally unable to care for himself or herself and for whom you can claim an exemption for income tax purposes.

Important: The definition of "qualified dependent" for the DCRA is different from the definition of "dependent" for UT group insurance eligibility purposes.

What is a qualified dependent day care expense?

Qualified day care expenses are expenses incurred by you or your spouse which are employment related expenses as defined by Section 21(b)2 of the Internal Revenue Code and which are provided by a Qualified Dependent Care Provider. Generally, this means the day care expenses must be for the purpose of enabling you and your spouse (if you are married) to work outside of the home, or to enable you or your spouse to attend school fulltime.

Examples of Eligible Dependent Day Care Expenses (See also IRS Publication 503) include:

- After school or extended day programs (supervised activities after the regular school program)
- Au pair expenses for dependent day care (does not include travel expenses)
- Babysitter expenses (inside or outside household)
- Custodial childcare or eldercare expenses for qualifying individual
- Day camps, if primary reason for being there is the care and well-being of the child and is custodial in nature, and not educational
- Day care centers
- FICA and FUTA taxes of day care provider
- Household employee expenses whose services include care of a qualifying person

- Expenses incurred to enable an individual to become gainfully employed
- Nanny expenses
- Pre-school/Nursery school for pre-kindergarten
- Sick-child care center to extent the care is not for medical services
- Work-related day care expenses - must allow you to work or look for work. You must be gainfully employed (earning income). This does not include volunteer work that is unpaid or for nominal pay.

Examples of Ineligible Dependent Day Care Expenses (See IRS Publication 503) include:

- Educational/tuition expenses - kindergarten, first grade and above
- Expenses paid to child of Participant
- Field trip expenses
- Food, clothing, education or entertainment expenses
- Household services (chauffeur, bartender, gardener)
- Incidental expenses (diaper, activities, etc. charges)
- Overnight camp expenses (not even the portion attributed to the daytime cost)
- Payments for care where you are not the custodial parent (in divorce situations)
- Payments for care while you are off work because you are on a leave of absence
- Payments for care while you are off work because you are on maternity or other medical leave
- Payments for care while you are off work because you are on vacation
- Payments for care while you are off work due to illness
- Payment for services not yet provided (advance payments)
- Registration fees/reservation fees/holding fees
- Transportation expenses

Who is a qualified day care provider?

A qualified dependent day care provider is the person(s) or organization(s) providing care to your qualified dependent. A qualified day care provider can include:

- 1) licensed nursery schools;
- 2) licensed day care centers; or
- 3) an individual who has the responsibility of providing care for qualified dependents either inside or outside of your home.

Who is NOT a qualified day care provider?

Your child under age of 19, or anyone you claim as a dependent for income tax purposes is not a qualified day care provider.

What amounts will be available for Day Care expense reimbursements at any particular time during the plan year?

The amount of year-to-date contributions (deposits), reduced by prior reimbursement, will be available to reimburse you for qualified, eligible Day Care expenses you incur during the plan year. Because UT typically processes payroll on or about the 20th of each month, day care reimbursement funds for the same month may not be available until after this date.

I signed up to contribute \$416 per month into my dependent day care Flexible Spending Account (FSA) plan. My actual expenses are closer to \$500 per month. Should I submit my claim form for \$416 or for \$500?

You should file your claim for the actual amount of charges, \$500 in this case. You will be paid up to the amount of money in your account (less prior reimbursements), not to exceed \$416. The other \$84 would be pended and paid once you have additional funds contributed to your account. Funds are contributed to your DCRA once your institution payroll has been processed.

Online Access to Your Flexible Spending Accounts

The UT FLEX website through HealthHub Powered by PayFlex provides comprehensive information regarding your FSA(s). By entering www.utflex.com into your Internet browser, you will access the UT FLEX homepage.

Navigational tabs to customer links are located along the left-hand side of the page. By clicking on "My Account" and registering your account, you will be able to access valuable information you need to manage your Health Care and/or Dependent Day Care Reimbursement Account.

The following quick links at www.utflex.com website will help you meet your FSA needs:

- **My Accounts** - access your claim and payment history, account balances, etc.
- **Express Claims** - file claims online for your health care and/or dependent day care expenses.

- **Eligible/Ineligible Expenses** - learn about eligible and ineligible expenses.
- **Frequent Questions** - read from a variety of questions to get answers about important topics.
- **Forms Publications** - get forms and publications regarding your accounts, including claim forms and direct deposit forms.

Savings Calculator - itemize your unreimbursed health care and day care expenses, and estimate your annual increase in spendable income through participation in a FSA.

As a reminder, while the links offer helpful tools, they are not intended to constitute or substitute for tax and/or legal advice. Please consult a tax adviser and or legal counsel of your own choosing for tax or legal advice regarding UT FLEX or any other tax or financial planning issues.