

FLEXIBLE SPENDING ACCOUNT (FSA)



Every penny counts, especially as you and your employees are looking for ways to better manage health care costs. Cigna's Flexible Spending Account (FSA) lets employees set aside a pre-determined dollar amount to cover eligible out-of-pocket health care or dependent care expenses throughout the year. It's a convenient way for your employees to manage their everyday health care expenses and save tax dollars at the same time. And as employees improve their health spending, your company will benefit from sustainable cost savings.

FSA Overview

A Flexible Spending Account (FSA) allows employees to set aside a portion of their salaries, on a pretax basis, to pay for dependent and health care expenses that qualify under rules established by the Internal Revenue Service. This enables tax savings on the funds they contribute. An FSA benefits you by enabling you to have lower payroll taxes because dollars allocated to FSAs don't count as employee income.

Health flexible spending accounts

With this program, employees decide how much money (up to IRS-defined limits) they want deducted from their salaries, before taxes, to be contributed to a Health FSA. They can then use these dollars to be reimbursed for eligible medical expenses not covered under their plan. Some examples of reimbursable expenses are:

- Deductibles, coinsurance and copays for an employee's medical and dental plan and for his/her spouse's plan.
- Medical, dental and orthodontia expenses not covered by any health plan.

- Eye examinations and lenses, including contact lenses and frames, not covered by any health plan.
- Hearing examinations and hearing aids not covered by any health plan.
- Most prescribed medications.
- Some over-the-counter medications.*

* Over-the-counter medications require a doctor's prescription to be eligible for reimbursement (except for insulin and diabetic supplies).

Dependent care flexible spending accounts (DCFSA)

Employees can also use pretax dollars up to IRS-defined limits to save money on eligible dependent care expenses. The DCFSA can be used to pay for dependent child care expenses, as well as care for elderly, disabled or handicapped family members. Criteria for reimbursement by a DCFSA include:

- The dependent care must be necessary in order to allow an employee to work full-time outside the home.

GO YOU[®]



You can reduce your company's payroll tax and employees' income tax by introducing an FSA.

- If an employee is married, his or her spouse must also work, attend school full time or be disabled to be eligible to participate.
- The dependent care provider must be a licensed facility, or an individual 19 years of age or older and not considered a dependent for income tax purposes.
- Children receiving care must be under age 13. Elderly, disabled or handicapped family members receiving care must be mentally or physically incapable of caring for themselves.

How an FSA works

- Employees who elect to participate specify the annual amount they want to deposit in their account(s) through regularly occurring payroll deductions.
- The election amount can't be changed until the next annual enrollment, unless a qualifying status change takes place.
- Federal law requires that employees forfeit any unused contributions left in the FSA at the end of the year.

- Employers can elect to have an extended claim grace period that allows up to an additional two months and 15 days to incur claims that are reimbursable under the prior year funds. For these employers offering the extended claim period, the runout period for employees to submit reimbursement requests for eligible expenses is 90 or 120 days (employer's choice) after the end of the plan year.




FSA features

Cigna offers these standard services in connection with FSA administration:

Employee contributions: Deposits for employee contributions are credited based on the participant's annual election amount and your company's payroll cycle. Weekly, biweekly, semimonthly and monthly schedules are available.

Enrollment materials and forms: Cigna provides enrollment materials that educate employees about health care FSAs and DCFSA's. Materials include tools that help employees estimate their annual expenses and deposit amounts.

Three ways to set up your Health FSA

FSA with AutoPay	FSA with Pharmacy Debit Card with AutoPay	FSA with Debit Card
 <p>Customers need/want: Convenience of managing funds through easy reimbursement options</p> <p>Ideal client wants:</p> <ul style="list-style-type: none">• Medical coinsurance or Health Reimbursement Account (HRA) plan• <u>No</u> debit card, but easy reimbursement filing	 <p>Customers need/want: Flexibility to use debit card for pharmacy purchases</p> <p>Ideal client wants:</p> <ul style="list-style-type: none">• Medical coinsurance or Health Reimbursement Account (HRA) plan• Wants debit card, for some transactions <p>Debit card can also be set up to cover dental, vision, or any combination of the three services (pharmacy, dental and vision).</p>	 <p>Customers need/want: Control where and when they use the funds</p> <p>Ideal client wants:</p> <ul style="list-style-type: none">• Medical copay plan• Debit card, for all transactions

Claim substantiation: We review each submitted claim for completeness and perform an overview audit based upon the Section 125 rules and regulations outlined by the IRS. However, the ultimate responsibility for compliance rests with the employee.

Banking arrangements: We will reimburse employees for their eligible expenses on your behalf and funds are drawn from your designated bank account at the agreed upon time periods.

Grace period: You may elect to offer your employees up to an additional two months and 15 days to incur claims that may be reimbursed out of the FSA. If you elect the grace period, your claim run out period (90 or 120 days) begins at the end of the grace period.

Direct deposit: If elected by the participant, claim reimbursements are deposited directly into the employee's bank account.

Comprehensive reporting gives you a clear picture

The following standard reports help you manage your FSA program, and are available through our website, Cignaclientresources.com.

Deposit report: Summarizes employee contributions by individual participant.

Transaction ledger summary: Summarizes each participant's FSA activity and account balance(s).

Employee election report: Lists elections by individual participant and can be used to reconcile or verify account elections.

Tools to help employees manage their accounts

We provide comprehensive information for employees to manage their online accounts, including:

- An **FSA calculator** assists with estimating annual eligible expenses. To access the calculator, go to cigna.com/fsacalc
- A list of eligible and ineligible **FSA expenses** – cigna.com/expenses
- An explanation of benefits is provided with every reimbursement. It details charges and how they were processed, and provides the current status of the employee's account.
- Participating individuals can call toll free 24/7 to speak to a customer service representative or use the automated option to obtain account information.
- Individuals can review their FSA claims activity and account balances online at myCigna.com.

For more information, please contact your broker or Cigna representative to learn more about how you can reduce your company's payroll tax and employees' income tax by introducing an FSA.



All health plans and insurance policies contain exclusions and limitations. For costs and complete details of coverage, contact your Cigna representative. The information provided here is a summary only and is not a contract. Complete and prevailing terms are set forth in the applicable group service agreement or contract.

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