

Congratulations—you may now begin taking advantage of Consumer-Directed Healthcare! Your employer has chosen to offer a Health Reimbursement Arrangement (HRA) and Flexible Spending Account (FSA) from ConnectYourCare as part of your organization's benefits package.

### What is a Health Reimbursement Arrangement (HRA)?

A Health Reimbursement Arrangement is a tax-advantaged account funded by your employer to help cover your healthcare costs. This HRA can pay for healthcare expenses that you or your family members incur that are not covered by your health plan. Depending on your plan design, this means you may pay a deductible, some co-pays or coinsurance and your health plan covers the rest. You can use the HRA to cover the portion you are required to pay.

**HRA Fund**

Your employer contributes to your HRA.

**Deductible**

HRA funds may be used for any qualified deductible expense.

**Health Insurance**

Once your deductible is met, your health insurance pays at the rate designated by your specific plan.

### What is a Flexible Spending Account (FSA)?

A Flexible Spending Account is a tax-advantaged account that allows you to use pre-tax dollars to pay for out-of-pocket qualified medical or dependent care expenses. You choose how much money you want to contribute to an FSA at the beginning of each plan year and can access these funds throughout the year.

### Account Advantages

- **Multiple uses:** There are hundreds of eligible healthcare expenses for your HRA and FSA funds, including doctor and hospital visits as well as prescription drugs. Under an FSA, funds may be used for any eligible healthcare expense not covered by insurance or any other plan for yourself, your spouse or tax dependents. See the list of Eligible Expenses in this guide for more details.
- **Tax advantages:** Under an HRA, contributions are not taxable to you, and distributions are not taxable as long as they are spent on qualified expenses. Under an FSA, you can reduce your taxable income by the amount you contribute to your FSA. You can then use these pre-tax dollars to pay for expenses that would have otherwise been paid with after-tax dollars. In addition, you do not pay social security tax on the income reduction.
- **Easy to access:** You can use your healthcare payment card to pay for eligible expenses, or pay out of pocket and request reimbursement. Your HRA and FSA account balance is available at any time online or over the phone.
- **Rapid Reimbursements:** Reimbursements are easy when you use your healthcare payment card. Using the card for a qualified purchase automatically creates a claim in your online account. If you did not use your card, you can create your claim online and submit your receipts.

Even if you pay for an expense using your healthcare payment card, you may still need to submit receipts for that purchase. Your online account will display a notice when receipts are needed.



### FSA Fund Availability Rules and Regulations

The IRS requires that employers make the full annual FSA election available to employees when a reimbursable expense occurs, regardless of whether you have deposited enough to cover the full amount at that point in time. For example, you may designate \$1,200 per year, equal to a payroll deduction of \$100 a month. You are eligible for reimbursement up to the full \$1,200 in the first month, even though you have only deposited \$100 in your account.

You must use all your funds by the end of your plan year. At the end of each plan year, IRS rules require that you forfeit any money deposited in an FSA account that has not been spent. These remaining funds revert back to your employer to cover the plan's administrative fees. Use the FSA calculator in this guide to estimate your expenses.

### Dependent and Elder Care Assistance Program FSA (DCAP)

You may also choose to enroll in a Dependent Care Assistance Program FSA (DCAP), which covers employment-related dependent and elder care expenses and is an alternative to the Dependent Care Tax Credit. If you work and have children, a disabled spouse, or dependent parents, you know how important it is to have reliable and affordable care for them while you are at work.

A DCAP allows you to pay for these expenses and get a tax break at the same time. Expenses must be for dependents that are claimed as an exemption on your federal tax return. Typical expenses under this account include charges for day care, nursery school and elder care (unless it is for medical care) for your legal dependents. See the list of Eligible Expenses included in this guide for more details.

### Eligibility Requirements

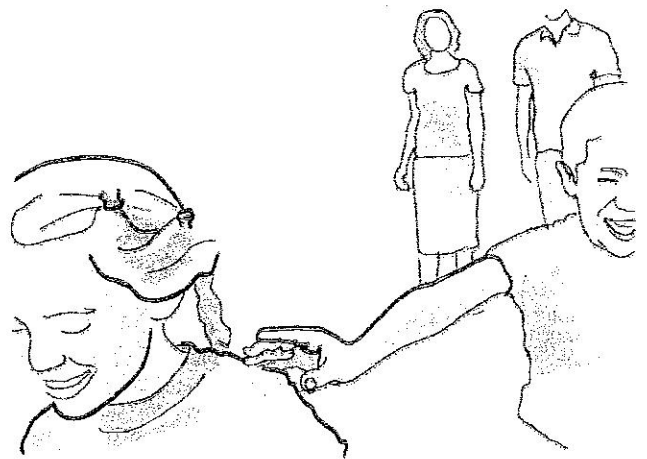
To be reimbursed through your DCAP for child and dependent care expenses, you must meet the following conditions:

- You must have incurred the expenses in order for you and your spouse, if married, to work or look for work, unless your spouse was either a full-time student or was physically or mentally incapable of self-care.
- You cannot have made the care payments to someone you can claim as your dependent on your federal tax return or to your child who is under age 19.
- Your filing status must be single, qualifying widow(er) with a dependent child, married filing jointly, or married filing separately.
- You and your spouse must maintain a home that you live in for more than half the year with the qualifying child or dependent.

### Fund Availability Rules and Regulations

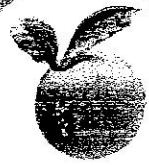
Unlike the FSA, you may only receive reimbursement from your DCAP account equal to the amount you have actually deposited.

You must use all your funds by the end of your plan year. At the end of each plan year, IRS rules require that you forfeit any money deposited in a DCAP account that are not spent. These remaining funds revert back to your employer to cover the plan's administrative fees. Use the FSA calculator on page 10 to estimate your expenses.



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# Using Your Account: How it Works



ConnectYourCare makes it easy to access and use your healthcare account funds. There are two ways to pay for healthcare:

- 1. Use Your Healthcare Payment Card:** The simplest way to pay for medical expenses such as office visits, hospital charges and prescriptions is to pay using your healthcare payment card. Always keep your itemized receipt as documentation. Then, log on to your online account to print the claim submission form and submit documentation.
- 2. Pay Out of Pocket and Request Reimbursement:** You will not be able to use your card for all eligible expenses, so sometimes you will have to pay using your own personal credit card, cash or check and request reimbursement. Then, log on to your online account to file for reimbursement. Print the claim submission form and submit your itemized receipt as documentation. You can receive reimbursement funds via check or direct deposit.



 Set up direct deposit online to receive quicker reimbursements.

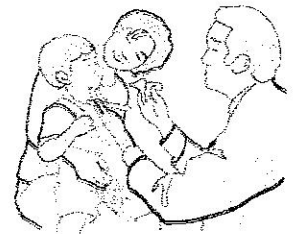
## How to Pay at Different Locations

Below are more details about how to pay for healthcare at different locations.

### At the Doctor or Hospital

When you pay for healthcare at the doctor or hospital, be sure to always present your health insurance ID card first to ensure proper processing of your charges.

- **Copays.** If you are asked to pay a copay, you may pay with your healthcare payment card, or you may pay out of pocket and request reimbursement from your account. Save your itemized receipt to submit as documentation.
- **Additional Charges.** If you're asked to pay additional charges, **do not pay your provider until the claim is processed by your health plan and you receive your Explanation of Benefits (EOB) in the mail.** This helps avoid overpayment. Compare your EOB with the provider bill to verify the amount being charged by your provider is the same as the patient balance on the EOB. After you receive your EOB, you may pay with your healthcare payment card, or you may pay out of pocket and request reimbursement from your account. You may send in your EOB or itemized provider bill as documentation.



### At the Pharmacy

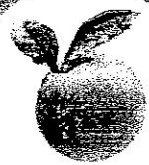
- **Prescriptions.** When purchasing prescriptions, be sure to always present your health insurance ID card first to ensure proper processing of your charges. You may pay with your healthcare payment card, or you may pay out of pocket and request reimbursement from your account. Save your itemized receipts to submit as documentation.
- **Over-the-Counter Items with FSA Funds.** You cannot use your healthcare payment card to pay for eligible over-the-counter items, but you may pay out of pocket and request reimbursement from your FSA. Save your itemized receipts to submit as documentation.

### At Dependent Care Locations with Dependent Care FSA Funds

If you have a Dependent Care FSA, then you should pay for your qualified dependent care expenses out of pocket and request reimbursement from your account. You will need to submit your itemized receipt as documentation. Remember, receipts for these expenses must include the name and age of the dependent.

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## Using Your Healthcare Payment Card



ConnectYourCare provides a convenient healthcare payment card to access account funds. You will receive this card in the mail. It will come in a plain white envelope with a ConnectYourCare return address.

### Use your Healthcare Payment Card

Pay for qualified products and services directly at approved merchants (see sidebar). The money comes right out of your healthcare account. Although your healthcare payment card is a prepaid card, always select "credit" and sign for your purchases. No personal identification number, or PIN, is required to use the card.

### Get Your Balance

By frequently checking your account balance online, you will have a good idea of the amount of funds available in your account. When you swipe your healthcare payment card, the system makes sure that your coverage is active and that you have sufficient funds in your account for the full amount. If not, the transaction will be denied. You can swipe the card for the amount left in your account and pay the difference with another form of payment.

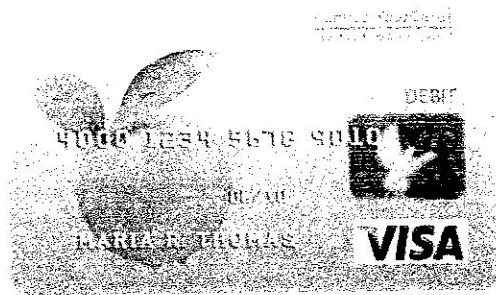
### Know What's Eligible

Familiarize yourself with what expenses are eligible from your employer's plan documents. If you use the card for ineligible expenses, you may be asked to write a personal check to refund the plan.

### Save Your Receipts

Although your healthcare payment card eliminates the need to file paper claims, the IRS requires that your charges be verified. Always save your receipts in case ConnectYourCare requests them to confirm a purchase or for tax purposes. Your online account will display a notice when receipts are needed.

**Lost or Stolen Cards**  
Report a lost or stolen card  
immediately to  
ConnectYourCare by calling  
toll-free 1-877-292-4040



### Use Your Card At Approved Merchants

Your card has been programmed to work only at merchant locations that are designated as healthcare merchants based on their Merchant Category Code (MCC).

Examples of qualified merchants include doctor's offices, hospitals and pharmacies. The card should only be used to pay for eligible medical expenses, and you should always save your receipts.

You will not be able to use your healthcare payment card at locations that are not approved healthcare merchants.

For purchases at those locations, you can pay with other means, then submit a request for reimbursement through your online account at:

[www.connectyourcare.com](http://www.connectyourcare.com)

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