

Employer Reference Guide

Flexible Spending Accounts



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For more information

If you have a question about your Flexible Spending Account (FSA) and can't find the answer in this guide, please contact your Humana representative.

Employees can reach Humana's Spending Account Customer Care team at 1-800-604-6228.

Humana[®]

Flexible Spending Account

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Information in this guide is accurate as of January 2018, unless otherwise noted, and is subject to change. All coverage, benefit, and eligibility determinations are made based on the terms, conditions, and provisions of the plan document, not this guide. For administrator use only – not for distribution to the public.

For details about Internal Revenue Service (IRS) regulations, visit the IRS website – www.irs.gov.

Look for these boxes throughout your handbook for tips or more information on a key topic.

Overview

FSA overview

Using your employer reference guide

This guide is designed to give you the information you need to implement Humana's FSA, understand its advantages, and familiarize employees with its features. Keep this guide handy throughout the plan year, and let us know if you have questions we didn't address. For tax implications and questions, contact your accountant or other tax professional.

Flexible Spending Account (FSA) basics

An FSA allows employees to elect to set aside pre-tax dollars through paycheck deductions. After the employee's election is effective, the employee can begin requesting reimbursement from the accounts for qualified healthcare or dependent care expenses. Employees receive a Humana Access® Visa® Debit Card that gives them easy access to healthcare FSA funds. The Humana Access Card can't be used with the dependent care FSA. The full healthcare FSA election amount is available to the employee the first day of the plan year. The dependent care pays as payroll deductions are withheld and contribution information is provided to Humana.

Employees enroll based on your benefits eligibility rules during your annual benefits open enrollment period. FSAs are restricted by law to run on a 12-month plan year; this may be a calendar year or any other 12-month period you select.

FSA advantages for employers

- **Tax savings** – Since employees fund an FSA with pre-tax money, you benefit because your total payroll costs decrease.
- **Increased employee involvement** – FSAs help employees budget and plan for healthcare expenses and encourage them to spend wisely.
- **Fund the account throughout the year** – You don't have to set aside the total amount of employees' annual FSA elections up front, so you have more flexibility in cash flow. (Although it's fair to assume all employees are not going to use their full election amounts at the beginning of the plan year, they could.)
- **Single-source management** – Humana manages and administers the FSA and debit card, easing your administrative tasks.

FSA advantages for employees

- **Tax savings** – FSA contributions don't count toward the employee's taxable income for federal and state taxes.
- **Money available when needed** – Employees have access to the full annual election amount of their healthcare FSA on the first day of the plan year. Different rules apply to the dependent care account.
- **Budgeting is easy** – Paycheck deductions make it easier for employees to plan for expenses they know they'll have, such as prescriptions and childcare.
- **It's easy to use** – The Humana Access Card allows employees to pay directly from the healthcare FSA.

FSA regulations

Qualified expenses

Qualified and nonqualified expenses for the healthcare FSA are generally defined by IRS Section 213. More information about IRS Section 213 is available at IRS offices and on www.irs.gov. The dependent care account covers qualified expenses for childcare or adult day care for a dependent that's younger than 13 or disabled, while the legal guardian(s) is at work, looking for work, or attending school for at least eight hours a day.

As an employer, you can exclude qualified categories within the healthcare FSA – for example vision and dental – but not a specific expense, like Lasik surgery. Keep in mind that limiting the qualified expense categories of your healthcare FSA also may limit your payroll savings.

Humana provides a sample list of qualified expenses on MyHumana. But it's important for employees to understand that the employer can put further restrictions on FSA-qualified expenses.

Minimum and maximum annual contribution

The Internal Revenue Service (IRS) has released a cost-of-living adjustment for health care FSA. Effective January 1, 2018, Health Care Reform regulations include a new statutory election limit of \$2,650, an increase of \$50. Currently the IRS doesn't set minimum contribution limit on healthcare FSAs. However, employers can set limits – keeping in mind the company's risk, since the FSA is pre-funded. The minimum annual election for either the healthcare FSA or dependent care FSA is \$10. If an employee and his or her spouse work for different companies that offer a healthcare FSA, both can contribute the maximum allowed by each employer.

For the dependent care account, the IRS allows each household to contribute up to \$5,000 each year. If an employee and his or her spouse both have a dependent day care FSA and file their taxes separately, the maximum contribution is \$5,000 combined.

Contributing with a cafeteria plan / non-discrimination rules

IRS code defines the various types of cafeteria plan benefits, as well as nondiscrimination rules. Cafeteria plans are subject to nondiscrimination rules to ensure that the nontaxable benefits provided do not favor highly compensated or key employees more than non-highly compensated employees. There are no exceptions to this rule based on how many employees you have or the number of employees participating in FSAs. Even if your organization is a nonprofit, you must perform this testing.

Implementation

FSA implementation

Implementation timeline and process

The implementation timeframe can vary for both new customers and current customers adding the FSA to their benefits package. Your Humana representative works with you to determine an implementation timeline.

The implementation process can take up to eight weeks from the date the Employer Election Form is completed. After your enrollment, Humana processes your employees' plan selections and issues Humana Access Cards to employees who selected the healthcare FSA.

The first step in the implementation process is completing the implementation documents (see the section below for details on each document and its purpose). After the documents are complete, Humana works with you to set up the bank accounts and funding for the FSAs. During this time, it's important to begin communicating to your employees about your upcoming open enrollment and the benefits available. Meanwhile, Humana sets up our systems to prepare for your open enrollment.

Implementation documents

With assistance from your Humana representative, you complete and return the following documents related to the FSA:

- **Employer Group Application (EGA) and the Employer Election Form (EEF)** – The employer must complete an EGA and EEF to select the plans and any other benefits to be offered to employees – including FSAs. The Spending Account Contacts and Contributions sheet is part of the EEF; this sheet provides Humana with a primary contact at your company.
- **The Banking Agreement** – The Banking Agreement is part of the EEF and needs to be signed by an officer of your company who can authorize debits to your bank account. This document is the agreement between you – the employer – and Humana specifying how and when funds are transferred between entities. The deposit requirements are included within the Banking Agreement document.

- **Plan Management Agreement (PMA)** – The employer signs this form before enrollment, though not necessarily at the same time as the Employer Election Form. Humana provides a sample PMA as early in the enrollment process as possible, so you have time to review this contractual piece of the process thoroughly. After that, you receive a customized version to sign and return.
- **Business Associate Agreement/ Privacy form** – The employer completes this form so they can receive spending account financial reports that include personal health information (PHI).

Customers should return implementation documents to their Humana representative. Your Humana representative can work with you to review which documents should be completed.

Specifying qualified expenses

On the EEF, you can indicate which service categories you want to include as qualified expenses for the healthcare FSA. The list of qualified expenses for a healthcare FSA is based on IRS requirements. Employers can limit qualified expenses by category but not by a particular expense within a category. Larger employers can exclude qualified expenses by category, but not by a particular expense within a category. For example, you can exclude vision, but you can't exclude a specific vision expense such as Lasik.

The categories are:

- Medical
- Prescriptions
- Durable Medical Equipment
- Vision
- Dental
- Qualified Over-the-Counter Healthcare Items
- Capital Expenditure
- Reservist Distribution
- Medically necessary lodging and transportation
- Medically necessary mileage reimbursement

Funding and using

Enrollment and maintenance

Providing enrollment information

You can provide enrollment information to Humana in various ways:

- **Electronic File Transmission and EDI** – Our Electronic Transmissions team facilitates Humana-approved methods that are secure and compliant with both Sarbanes Oxley (SOX) and HIPAA.
- **Electronic Enrollment** – Enrollment is keyed by the employer into Humana’s website.
- **Web Enrollment** – Employees use Humana’s online enrollment center to make their own benefit elections.
- **Paper** – The employer collects the FSA benefit election and annual election amount. The paper method helps organizations that, due to their size or capabilities, can’t provide enrollment information electronically.

Throughout the year, employers can provide ongoing enrollment information using any of the above methods.

Providing contribution information

During enrollment, employees make an annual FSA election. You’ll collect information about your employees’ FSA payroll deduction amounts and payroll cycle, as well as their annual election. Humana has provided two main ways to post these per-pay-period amounts to our FSA administrative system according to your payroll schedule.

The two ways you can provide this information are through Humana’s Web-based employer contribution portal or on a scheduled electronic file transfer coordinated with your pay dates. Special requirements may apply if you choose the file transfer approach, such as encryption software and other technical abilities. During the implementation process, Humana will help you determine the method that will work best for you.

Accurate contribution information is the key to reimbursing dependent care FSA claims correctly. Unlike the healthcare FSA, dependent care reimbursements are based on the amount of available contributed funds. Employers are responsible for providing this information to Humana. Your employees can access their personal contribution information through MyHumana or through our voice response system.

Setting up contributions

You will receive further information from a Humana representative to discuss which option listed is best for you.

- **File Transfer Protocol (FTP)** – The FTP is a predefined text file format which is uploaded to Humana’s Electronic Transmission (ET) site every pay period. Humana will provide the specifications for the file format. This method may require some system coding on your side to create the file and then place it on Humana’s ET site.
- **File Upload Tool** – Excel template which can be uploaded to Humana’s website each pay period.

Funding overview

Humana makes it easy for employers to set up and fund FSAs:

1. Setup	2. Deposit	3. Replenish
We set up a bank account in Humana’s name, from which we pay claims. We also work with you to identify what bank account to use during the plan year to draw funds to pay claims. This is known as your “FSA funding account.”	At the start of the plan year, the employer provides a percentage of the total annual FSA election amounts to get the accounts set up.	As Humana processes claims, we pull funds from the bank account you designate to replenish funds through electronic transfer, so the Humana account used to pay claims remains at the agreed-upon balance.

Funding account set-up and initial deposit

Your FSA funding account is in Humana’s name and at Humana’s bank. This account covers Humana Access Card transactions as well as manual reimbursements. Humana pays all bank fees, sends updates on expenditures and deposits, and performs monthly reconciliations.

You put an initial deposit in the FSA funding account. This deposit acts as a buffer in the bank account – two or three days may pass between the time Humana pays an employee’s FSA claim and when we pull funds from your funding bank account. You should make the initial deposit at least two weeks before the effective date of the plan. Two weeks allows enough time to set up the bank account, deposit funds, and set up banking information in Humana systems. Humana Access Cards can’t be used and card swipes will be denied until Humana receives the initial deposit.

The minimum employer deposit amounts are:

- Up to 99 eligible participants – the greater of 4 percent of all annual elections or \$1,000
- 100 or more eligible participants – the greater of 4 percent of all annual elections or \$2,000

Customers can make the initial deposit by check or electronic payment. Specify the method of your choice in your Banking Agreement. To make your deposit:

- **Check deposit** – Make the check payable to Humana and send it to:

Humana
Attn: Treasury
500 W. Main St.
PO Box 1438
Louisville, KY 40202

- **Electronic deposit** – You can initiate an electronic payment by instructing your bank to wire funds to the Humana-owned account or Humana can initiate an Automated Clearing House (ACH) transfer.

Replenishing the account

Even though you withhold employees' FSA election amounts from their paychecks regularly, Humana doesn't request funds from you until employees have used funds. As Humana processes employees' claims, we use an automated clearing house (ACH) transfer to replenish the account periodically and then provide you with a summary of activity. The amount transferred through ACH is the sum of all Humana Access Card transactions and manual reimbursements since the previous transfer.

ACH transactions come from the employer bank account designated on the EEF. You'll receive an e-mail notification, sent to the individual specified on the EEF, before your bank account is debited.

If a customer account isn't able to provide the necessary funds for replenishment repeatedly, Humana suspends debit card transactions and manual claims processing. The customer must work with Humana's Spending Account Administration and Finance departments to reinstate FSA services. Even if the access to FSA funds is turned off, the employee still has access to his or her health benefits – the employee just can't pay for anything with the FSA funds.

Customer reports

Customers can monitor funding account activity through:

- The e-mail notice from Humana whenever we initiate an ACH.
- A monthly funding account balance statement, which provides additional details on balances remaining in each account.

Humana also provides a standard set of reports free of charge. Humana sends these reports to the employer's designated representative either monthly or quarterly, by e-mail or hard copy, as specified in the EEF:

- **Disbursement report** – lists summary-level checks, direct deposits, card swipes, and credit totals

- **Claim register report** – lists specific transactions such as claim type, date, claim amount, etc., which allows you to monitor actual payment data
- **The monthly funding account balance statement** – provides details on balances remaining in each account

Many reports are also available in the Employer Self-Service Center on Humana.com. These reports include:

- **FSA Summary** – Shows a breakout of account usage by claim type; produced monthly
- **Disbursement Report** – Lists summary-level checks, direct deposits, card swipes, and credit totals
- **Unsubstantiated/Non-qualified Transaction Report** – Lists any transaction that has been marked as non-qualified due to no substantiation
- **Humana Access Card Activation** – Shows which cards have been activated versus which cards have not
- **Humana Access Card Declines** – Shows a breakdown of all card transaction declines and their reasons
- **Card Status Report** – Shows summary-level data around overall card usage, transactions, and all other data pertaining to the card

To access these reports, log in to the Employer Self-Service Center and click the link titled “FSA/PCA/HSA reports” on the “Reports” tab.

How employees spend FSA funds

Availability of funds

For a healthcare FSA, once the plan year begins, employees can start spending FSA money immediately. With a dependent care FSA, employees can only use funds that are actually in the account. So the amount an employee can get reimbursed at any given time is based on the account balance, not the employee's annual contribution amount.

Humana Access[®] Visa[®] Debit Card overview

For most transactions, the Humana Access Card is the fastest, easiest way for employees to spend FSA funds. Employees have fast, convenient access to their funds – and, for employees who have a Humana medical plan, it doubles as their member ID card.

The card looks like any Visa debit card – except it only works at healthcare provider locations like doctors' and dentists' offices, pharmacies, and vision care providers. Employees can't use the card at "non-health-related" locations like restaurants or gas stations – even if they're buying a qualified item. Also, employees can't use the card at ATMs or get cash back at a store.

In addition, employees can only use the card for categories of healthcare services on the employer's list of qualified expenses, as specified on the implementation documents.

The Zero Liability feature guarantees maximum protection against fraud if a member's Humana Access Card is stolen and used for unauthorized purchases. After fraudulent behavior occurs, the cardholder simply notifies Humana. If the unauthorized purchase is truly fraudulent, the member isn't financially responsible.

The Humana Access Card doesn't work until the employee calls a toll-free number to activate the card. To help your employees avoid any inconvenience – like not being able to use the card the first time they pick up a prescription – it's a good idea to include card activation messages in pre- and post-enrollment communications.

What employees should do when they receive the Humana Access Card

Humana sends the Humana Access Card to employees at their home address. When they receive the card, employees should:

- Call the toll-free activation number on the sticker on the new card and follow the instructions on the recorded message
- Sign the back of the card
- Read and save the enclosed insert, which provides more tips on using the card

If an employee gets more than one card, he or she only needs to activate one for both to work. By activating the card, the employee accepts the terms and conditions outlined in the cardholder agreement.

If the card is lost, the employee should alert us right away using the Humana Spending Account automated information line. Once we're alerted, we take steps to protect the account balance and get a new card to the employee immediately.

Using the Humana Access Card

To pay doctor's office bills with the Humana Access Card, employees should:

- Swipe the Humana Access Card for the office visit copayment if the health plan has copayments.
- If the health plan doesn't have copayments, wait for the doctor to send a bill showing Humana's discounted rate and the member responsibility.
- Check the credit card payment box on the bill, write the card number and expiration date, and mail the bill back to the doctor – or give the card number over the phone.
- If the doctor's office doesn't take Visa debit card payments, employees can pay the balance another way – such as with a personal check – and then get reimbursed from their FSA.

To use the Humana Access Card at a pharmacy for prescription drugs, employees simply:

- Present the card for payment or swipe it through the credit card machine
- Humana Access cards come with a preassigned PIN which is mailed to members separately from their card. If a provider's system is setup to accept a PIN they might be prompted to enter it when using their card to pay for qualified expenses. They can either enter their PIN at that point or select "credit" as the transaction type.
- Sign the receipt and save it for their records

New rules have been enacted as part of the Health Care Reform. OTC medications, like pain relievers, cold medicine, and antihistamines, require a prescription to be paid for through your FSA. If you allow members to use FSA funds for qualified over-the-counter healthcare items, they can only use the Humana Access Card for non-medicine OTCs such as bandages and contact solution. Reimbursements for OTC medications require a manual reimbursement request that includes an itemized receipt and prescription.

- Members can use the Humana Access Card to purchase non-medicine over-the-counter healthcare items at any participating IIAS merchant. A list of these merchants is at www.sig-is.org; click on the Merchant List. Members also can find this information on MyHumana.
- Members can use the Humana Access Card to purchase prescriptions for anyone on their medical plan, or even someone who is covered by another medical plan but is still a tax dependent or dependent to age 26 as defined under Health Care Reform.

An employee typically can't use the Humana Access Card at the pharmacy if:

- The employee tries to purchase an ineligible item such as vitamins, supplements, or soda
- The employee tries to use the card to purchase OTC medicines
- The employee purchases a prescription for someone not covered under his or her Humana medical plan at a merchant that doesn't use inventory-control standards
- The employee waives medical coverage, but selects an FSA, and tries to make a purchase at a merchant that doesn't use inventory-control standards.

These standards are defined by the IRS and aren't just Humana policies.

Another way members can use FSA funds for qualified over-the-counter healthcare items is to submit a reimbursement form to Humana along with a prescription and a receipt. To get a form, employees can log in to MyHumana or call Customer Care at 1-800-604-6228.

The list of sample expenses on MyHumana offers guidance on OTCs that are generally considered qualified.

Easy Pay Consent Form

For health plans that don't have medical copayments, most providers don't mind waiting to send a bill after Humana processes the claim. However, providers are allowed to request payment up front – and some do. Employees can pay an estimated charge and then adjust the debit later, as described in the following section. However, the preferred method is to fill out an Easy Pay Consent Form.

The Easy Pay Consent Form gives a provider written authorization to debit the employee's account after Humana processes the claim and determines the member responsibility amount. Employees can limit the amount a provider can debit, specify a date range, or limit the number of transactions. The Easy Pay Consent Form can be found on Humana.com under the Humana Access Visa Debit Card information.

Adjusting for over- or under-payment

When the plan doesn't have medical copayments and the provider requests payment up front – instead of using the Easy Pay form – the employee can pay an estimated charge and then adjust it later. To do so, the employee should sign for the transaction, keep the receipt, and then watch for an Explanation of Benefits.

- If the employee paid too little – The doctor's office will send a bill for the balance. The employee can use the Humana Access Card to pay once the bill arrives.
- If the employee paid too much – The employee must return the excess amount to his or her spending account. The employee should first ask the doctor's office staff to credit the Humana Access Card. If the provider mails a check instead, the employee can write a personal check to repay his or her account. The employee should make the check out to Humana, write the claim number on the check, and mail the payment to:

Humana Spending Account Administration
P.O. Box 14167
Lexington, KY 40512-4167

Reasons the Humana Access Card may be declined

As long as the employee has activated the card, and is purchasing qualified items, the card should work like a charm. Here's an overview of reasons the Humana Access Card may not work:

- The employee pressed “debit” instead of “credit” and does not know his or her PIN.
- The employee uses the card for a nonqualified expense or an OTC medicine
- The employee uses the card at a non-health-related location, such as a gas station
- The employee hasn't activated the card
- The employee's account doesn't have enough money to cover the total expense – for locations other than the pharmacy, the employee can use the card for the amount in the account, pay the rest another way; at the pharmacy, the employee needs to pay the entire amount another way and then request reimbursement
- The employee tried to purchase a prescription for someone not covered under his or her medical plan; varies depending on the pharmacy's inventory-control system and whether the employer allows use of FSA funds for non-covered dependents' prescriptions
- The employee waived a Humana medical plan and tried to purchase a prescription at the pharmacy; varies depending on the pharmacy's inventory-control system and whether FSA funds can be used for non-covered employees' prescriptions

If an employee's card is declined, and the employee thinks the expense qualifies, he or she can pay another way and then submit a reimbursement request.

Reimbursement from the account

If a provider doesn't take the Humana Access Card, employees can request reimbursement by completing a claim form and providing this to Humana along with a valid receipt. The claim form can be found in the “Claims & Spending” section of MyHumana – or the employee can contact Spending Account Administration at 1-800-604-6228 to obtain a claim form.

Grace periods and run-out periods

If employees have FSA money remaining after the year ends, they may still have the opportunity to use their FSA funds. Rules and processes depend on whether the employer opts to have an FSA grace period. The grace period is different from the run-out period, as it allows employees to access previous-year funds for new claims incurred after the plan year ends and during the grace period. The IRS allows a grace period of up to two and a half months.

- **Grace period:** If you offer a grace period, there's a period of time following your plan year where employees can incur expenses and pay for them with their previous year's FSA funds. During the grace period, the Humana Access Card draws funds from the previous year's funds automatically – but only if the employee also has a spending account during the current year. If the employee doesn't have a current-year spending account and is in the grace period, his or her Humana Access Card won't work and the employee will need to submit a manual claim.

To offer this option to your employees, you must contact your sales representative and update your Employer Election Form (EEF) by selecting the grace period and specifying your requested grace period length. Selecting the FSA grace period requires that you amend your Benefit Plan Document.

Regardless of where and how employees use FSA funds, they should always save a detailed receipt to verify expenses in case the IRS requests documentation.

- **Run-out period:** Employees can still use previous-year FSA funds during the run-out period – but only for services received during the previous plan year. During the run-out period:
 - Employees can file a claim only for charges incurred during the previous plan year – During the run-out period; employees can use FSA funds only for the previous year’s expenses. The day an employee buys a product or receives a service is the day he or she “incurred” the charge. It’s not the date on the bill or the day the employee paid the charges.
 - Employees shouldn’t use the Humana Access Card to access last year’s funds – Once the new plan year begins, employees can’t use the card to spend funds from the previous year. If an employee uses the card during the run-out period, the expense would be paid with current-year funds. So, to use remaining funds from last year, employees should file a claim for reimbursement.
- **Healthcare FSA Rollover:** This option allows up to \$500 of a Healthcare FSA balance to be rolled over to the next plan year even if the plan participant does not elect a Healthcare FSA in the new plan year. Employer must specify how much of the remaining FSA funds (up to \$500), should rollover into the next plan year. If a group has the FSA Grace Period for their current plan year and they want to add the FSA rollover, they would need to revise their plan documents removing the Grace Period for the current plan year and communicate to their plan participants. The Healthcare FSA Rollover cannot be used in conjunction with the FSA Grace period. The FSA Rollover must be a flat dollar amount between \$0 and \$500. Monthly participant fees will apply when the election is due only to a rollover.
- **Employer must decide the maximum balance to be rolled over for members.**
- **Employers can set a minimum* balance to be rolled over for members.**

* Please read the following if a group is interested in setting a minimum:

IRS Notice 2013-71 allows for limited carryover of up to \$500 in unused FSA amounts. The IRS Notice leaves many administrative issues unaddressed including whether an employer must make the carryover available to all employees with an account balance or whether plans may require a minimum rollover amount. Humana, and others in the industry, anticipate IRS clarification in the future. In the meantime, because Humana cannot provide legal or tax advice, we advise that you seek a legal opinion before electing a minimum roll over provision for your health care FSA plan. We will administer your plan in accordance with your legal advisor’s direction, but assume no responsibility for this decision.

- **The minimum and maximum chosen will be the same for all employees.** If funds continue to rollover for a member that does not elect an FSA in a future plan year past their card expiration date they will need to file paper claims until they exhaust their remaining balance.

Examples:

- Member has a 2017 Healthcare FSA. Their employer has elected the FSA rollover of up to \$500 for the 2017 plan year. This member has \$500 to rollover but they do not elect the FSA benefit for the 2018 plan year. They will only have the \$500 rollover amount to spend in the 2018 plan year.
- This Member has \$250 left in their FSA to rollover into 2017. Member's card expiration date is 12/31/2017, so during the 2017 plan year they can use their card to access the \$250. They spend \$100 in 2017, leaving \$150 to rollover to 2018. Member once again does not elect the healthcare FSA for the 2018 plan year so the only funds they have to use are rollover dollars. But, their card expired on 12/31/2017, so they will need to submit paper claims to exhaust the remaining \$150

Expense verification

Every time employees use FSA funds, they need to keep a detailed receipt. The IRS requires that 100 percent of disbursements made from FSAs be "substantiated" or verified. Humana makes every effort to verify that expenses are qualified healthcare expenses as defined by IRS Code Section 213. In some cases, Humana won't be able to substantiate transactions automatically, particularly in cases where Humana doesn't have the medical benefits or receives limited claims information.

If expenses can't be verified in an automated way, Humana will request receipts from an employee to verify those expenses manually. The employee receives a letter that lists the expense and provides instructions on what the employee needs to do. If receipts aren't received by the date specified in the letter, Humana will turn off the employee's Humana Access Card and attempt to recover the funds from future manual reimbursement requests.

Verification requires valid receipts containing:

- Date of service
- Description of service
- Name of person who received the service
- Name of service provider
- Total expense amount

If an employee can't find a receipt, the provider may be able to provide a duplicate. If Humana processed the claim, the employee can download and print an "electronic EOB" from MyHumana. To do so, the employee goes to the "Claims" page within the "Claims & Spending" section and clicks on "Details" for the claim.

In the event an employee doesn't have a receipt or EOB – or if the employee knows the expense wasn't qualified – the employee will have to pay back the amount. Employees should send payment to:

Humana Spending Account Administration
P.O. Box 14167
Lexington, KY 40512-4167

They can also pay by phone or web. Call us toll-free at 1-800-604-6228 and repay their expense by phone. To pay by web, they should log on to MyHumana, go to spending accounts and click the 'repay' link. For either option they will need to provide their checking account number and routing number to have the funds transferred from their checking account to their spending account.

Here's a general timeline of how and when Humana verifies FSA claims. Flexibility in the number of letters is available. Some customers prefer a "one and done" approach, while others prefer a two-letter approach.

- **Day 1** – Card transaction takes place
- **Day 31** – If Humana can't verify the expense automatically within 30 days, a letter is sent to the employee in the mail requesting an itemized receipt or EOB
- **Day 61** – If we don't receive verification or repayment within 60 days of the first letter, a second letter is sent to the employee
- **Day 90** – If we still haven't heard from the employee, we turn off the Humana Access Card; to reactivate the card, the employee needs to send verification or pay back the amount of the FSA transaction

Even if the Humana Access Card is turned off, the employee still has access to his or her health benefits – including FSA funds. The employee just can't pay for anything with the Humana Access Card.

If an employee does not repay the spending account or submit verification, the claim(s) will remain outstanding and in violation of IRS substantiation requirements. As the employer and plan sponsor, you may take the following actions:

- Include the amount of the unsubstantiated transaction(s) in the participant's W-2 income. This will result in income and employment taxes.
- As a last resort, you can deduct this amount from the employee's payroll, if your state law permits. Humana suggests you talk to your legal counsel or tax advisor before pursuing this measure.

To verify as many transactions as possible automatically, Humana employs a variety of techniques to auto-substantiate claims, including:

- **Copayment matching** – Matches any card transaction with the copayment(s) recorded for the employee or covered dependent. The IRS also permits copayment matching when the amount is a multiple of the copayment, up to a multiple of five.
- **Paid claims matching** – Matches any member responsibility on a claim processed by Humana to a card transaction for an employee or covered dependent.

- **Pharmacy real-time matching** – The Pharmacy Benefits Manager (PBM) communicates the member responsibility to Humana’s card processor, and the processor attempts to match the amount with incoming card transactions from the pharmacy.
- **Recurring expense** – When a transaction cannot be auto-substantiated and the employee provides verification, that transaction is marked in Humana’s systems as a “recurring expense.” If the employee has the same debit card transaction at a later date, the transaction will be auto-substantiated.
- **Accumulator process** – Verifies the sum of member responsibility for paid claims is greater than or equal to the sum of card transactions for the same employee. An example:

Paid claims member responsibility		Card transactions	
1/15	\$25	2/1	\$75
1/31	\$50	3/1	\$110
2/20	\$125		
Total:	\$200	Total	\$185

Since \$185 in card transactions is less than \$200 in member responsibility, each of the card transactions would be marked as substantiated in this case.

Debit cards are regulated as well. They must conform to various banking regulations, rules set by the issuing banks, and rules set by the financial networks (Visa, MasterCard, etc.). The most important rules relate to card use and who’s responsible for misused funds, etc. Each card program has a cardholder agreement outlining the rules for a specific card. Employees receive the cardholder agreement along with the card at the beginning of the plan year.

If you have questions about verifying expenses, feel free to call us at 1-800-604-6228.

How an FSA works with a PCA

Pay order

Employees who have a healthcare FSA and a Personal Care Account (PCA) receive just one Humana Access Card for both accounts.

Humana's strategy is to access funds from the FSA first, before the PCA. The rationale for Humana's approach is that when employees self-fund a portion of their care, they use their benefits differently. By accessing the FSA first, the employee uses his or her own money – which encourages the employee to be more involved in healthcare decision-making. Putting the PCA before the FSA discourages employees from contributing their own funds and paying for a portion of care. While this is our standard approach, we make an exception to the rule for some customers.

Whichever account comes first, once an employee depletes the balance in the first account, Humana starts paying expenses from the second account automatically. The only exception is if the two accounts have different qualified expenses. If an expense isn't eligible for PCA payment, but is qualified for FSA payment, we'll draw from the FSA automatically – and vice versa. Otherwise, we use the standard pay order.

Employees can confirm which account is used first in the Benefit Plan Document.

Other Information

Employee communications and contacts

The importance of an employee communications plan

A well-thought-out communications plan is the key to:

- **Encouraging employee involvement** – When employees become more involved in choosing and using their benefits, they naturally start changing their behavior. Industry research, as well as Humana’s own experience, indicates that informed employees can actually reduce healthcare costs for themselves and their employers.
- **Driving participation** – The more your employees know and understand the benefits of having an FSA, the more your employees will want to use the FSA to save and budget for healthcare.
- **Increasing understanding of FSAs** – Because FSAs are IRS-regulated plans, and because employers have flexibility in plan design, it’s important for employees to know their plan rules – especially category limits and claim verification.

Contribution guidance

Humana provides tools to help employees understand the benefits of the FSA and determine their contribution amount.

Humana’s online Healthcare FSA Planner assists employees in:

- Estimating their healthcare usage and FSA contribution
- Evaluating their FSA-eligible expenses
- Estimating the tax benefits of their chosen contribution amount
- Budgeting for healthcare

The Dependent Care FSA Planner assists employees in:

- Determining their contribution amount
- Estimating the tax benefits of their chosen contribution amount

The FSA Planner is available in the unsecure member section of Humana.com and on MyHumana. FSA Planners are also available to employees who enroll through Humana’s Enrollment Center, an online employee enrollment tool.

Account management tools and guidance

To check their FSA balance online, employees can log in to MyHumana and click the “Spending Accounts” link on the “Claims & Spending” menu. The website includes the most up-to-date information about the account.

Employees also can get up-to-date information about their account balance over the phone through our automated voice-response system. To access the Customer Service system, members call the Spending Account Customer Service number on the back of their Humana Access Card. In addition, FSA participants receive a quarterly statement mailed to their home. This statement provides information about the employee’s account balance and transactions.

Employees also can log in to MyHumana to:

- Review all posted and pending FSA transactions
- Request additional Humana Access Cards
- Download a reimbursement form
- Review frequently asked questions about the FSA
- See a list of sample qualified expenses – this list is only a guide; employees need to check with their employer for specifics

To register for MyHumana, employees just go to Humana.com, click the “Register for MyHumana” button, and follow the easy instructions.

Employee contact information

Your employees can contact Humana in a variety of ways:

- Phone number for the Spending Account Administration area that addresses employees’ FSA questions: 1-800-604-6228

Representatives are available from 8 a.m. to 7 p.m. Eastern time. However, employees can get automated information using the same number 24 hours a day.

- Mailing address for employees’ FSA reimbursement and claim verification:

Humana Spending Account Administration
P.O. Box 14167
Lexington, KY 40512-4167

- Fax number for employees’ FSA reimbursement: 1-800-905-1851

Once Humana receives a claim for reimbursement or a response to a request for documentation for a Humana Access Card expense, it’s processed within two to three business days.

COBRA and life events

COBRA implications and employee terminations

If an employee leaves your company or organization, the employee has the run-out period – a “window” during which he or she can file claims for expenses incurred before leaving the employer. In this situation, the former employee needs to file for reimbursement rather than use the Humana Access Card.

Special rules apply for employees who go on COBRA:

- If the employee has used their entire annual healthcare election amount, COBRA for the health FSA should not be offered.
- If the former employee has funds in the FSA at the time of the COBRA-qualifying event, the employer must offer the option of COBRA for the FSA until the claims filing deadline for the current plan year and the former employee is entitled to the full annual health FSA election. Generally, a former employer doesn't have to offer COBRA beyond the end of the year in which the COBRA event occurred.
- Once the former employee's funds are gone, the employer doesn't have to extend the FSA – even though COBRA participants can continue other coverage for 18-36 months.
- The former employer may require the former employee to pay an “FSA premium” – up to 102 percent of the active employee premium – each month to cover the cost of administering the FSA.

Dependent care isn't subject to COBRA. Plan sponsors may choose to allow for reimbursement of dependent care claims that are incurred after an employee leaves the company. If you're interested in amending your plan, please contact your Humana representative.

Enrolling in Medicare

After an employee enrolls in Medicare, the employee can continue to contribute to an FSA – but only if he or she continues to work. FSAs aren't available to people who are retired or self-employed.

Life events

The IRS allows employees to increase or decrease their FSA election if they have a qualifying life event. The life event determines how the employee can change the FSA contribution amount. For example:

- **Marriage** – The employee can increase the FSA election
- **Adding dependents** – The employee can increase the FSA election
- **Divorce** – The employee can decrease the FSA election

With a dependent care FSA, employees can change or stop their contributions – within IRS limits – if they change dependent care providers, if the dependent care provider increases or decreases fees, or if a dependent ceases to be a qualified dependent at any time during the plan year.

Leave of absence

Humana requires notification of unpaid leaves of absence. If we don't receive timely notification, we'll continue to reimburse FSA claims as if the employee were still active. The employer indicates on the EEF how funding for unpaid leaves of absence should be addressed. The options include:

- **Pay as you go** – Participants continue to contribute or will have a gap in coverage.
- **Pre-pay** – Participants increase contributions before the leave, to fund the period of time on leave. This cannot be the only option selected.
- **Catch up** – Participants' contributions increase to catch up for the period on leave and claims are suspended for the period of leave.

Humana group medical plans are offered by Humana Medical Plan, Inc., Humana Employers Health Plan of Georgia, Inc., Humana Health Plan, Inc., Humana Health Benefit Plan of Louisiana, Inc., Humana Health Plan of Ohio, Inc., Humana Health Plans of Puerto Rico, Inc. License # 00235-0008, Humana Wisconsin Health Organization Insurance Corporation, or Humana Health Plan of Texas, Inc., or insured by Humana Health Insurance Company of Florida, Inc., Humana Health Plan, Inc., Humana Health Benefit Plan of Louisiana, Inc., Humana Insurance Company, Humana Insurance Company of Kentucky, Humana Insurance of Puerto Rico, Inc. License # 00187-0009, or administered by Humana Insurance Company or Humana Health Plan, Inc.

Statements in languages other than English contained in the advertisement do not necessarily reflect the exact contents of the policy written in English, because of possible linguistic differences. In the event of a dispute, the policy as written in English is considered the controlling authority.

For Arizona Residents: Offered by Humana Health Plan, Inc. or insured by Humana Insurance Company. Administered by Humana Insurance Company.

Please refer to your Benefit Plan Document (Certificate of Coverage/Insurance or Summary Plan Description) for more information on the company providing your benefits.

Our health benefit plans have exclusions and limitations and terms under which the coverage may be continued in force or discontinued. For costs and complete details of the coverage, call or write your Humana insurance agent or broker.

FSA, PCA, and HSA spending accounts are not insured benefits; they are a service administered by Humana Insurance Company

