



Cafeteria Plan Frequently Asked Questions

Q: Is the Section 125 Cafeteria Plan going to replace my group insurance benefits?

A: No way! In fact, your employer is improving your benefits by offering these choices.

Q: What if I am not covered or I do not have my dependents covered under my company's health insurance plan?

A: You and your family can still participate in the Health Flexible Spending Account (FSA) or Dependent Care Assistance Plan (DCAP) reimbursement account.

Q: Why should I participate in the health flexible spending account when I already have health insurance?

A: This account is used to pay for expenses that are not covered by insurance. For example, your insurance may not cover annual physicals, co-payments, eye exams, glasses, contacts, orthodontics, prescription drugs, or dental care, just to name a few. (See Eligible/Non-Eligible Expenses list.)

Q: What if I have a claim early in the plan year and do not have enough money in my account?

A: You are eligible for 100% of your election at the start of the plan year for your Health FSA. This is referred to as the "Uniform Coverage Rule." It gives you the ability to budget your medical expenses and spread them out over the entire year. Your elected payroll deductions will continue throughout the plan year to catch up on the expenses you have been advanced. For the DCAP account, you will be reimbursed as your deductions are deposited with your employer.

Q: Do I have to have a lot of expenses to participate?

A: No. You may put aside enough money to cover what you reasonably expect to spend during your plan year. You should not put more than that, because if you do not use the money, you will lose it. The Internal Revenue Service mandates this provision of the law.

Q: How do I figure how much to put into my medical expense account?

A: Look at your receipts or check register for the last year or two to see what you typically spend annually on medical expenses for yourself and qualified family members. Or, think about what you expect to spend on medical expenses during your plan year. You may be provided with a worksheet to use in estimating your expenses.

Q: What is the minimum I can put into my account(s)?

A: The amount specified in your Summary Plan Description as determined by your employer.

Q: What is the maximum I can put into my account(s)?

A: The maximum for each type of account is:

- FSA Medical: The amount specified in your Summary Plan Description as determined by your employer, up to the IRS-mandated maximum annually per employee.
- Dependent Care: \$7,500 per plan year and calendar year for the head of household or married filing joint tax return; \$3,750 per plan year and calendar year for married filing separate tax return.

Q: If I set aside pre-tax money in a spending account, why would I lose the money if I don't spend it?

A: This is an IRS guideline, not ours or your employer's. If your plan does not include carryover, you will have an extended grace period of 2½ months from the end of the plan year to incur claims. You also have a 90-day run-out period from the end of the plan year to submit claims incurred during the plan year. Please refer to your Summary Plan Description.

Q: Can expenses be reimbursed from my DCAP at the beginning of the month for care that will be provided during that month?

A: No, regulations require that claims can only be reimbursed when a service has actually been incurred. So, even though a participant pays for dependent care at the beginning of the month, until the care has actually been provided, the participant is not entitled to the reimbursement.

Q: Can an employee who participates in an employer-sponsored dependent care assistance plan also claim the dependent care tax credit?

A: There is no 'double-dipping.' If you are using a DCAP you may not also elect the tax credit on the same money. Please consult with your accountant or flex administrator for further review.

Q: What is proof of payment/required documentation?

A: This would be a copy of your statement, invoice, visit record, explanation of benefits (EOB), or similar document. It should show the date, type of service, the amount of payment, and the provider. Voided or canceled checks are not qualified receipts.

Q: Can I change my contributions during the year?

A: Only if you have a change of status, such as marriage, divorce, birth, adoption, or a change in your or your spouse's employment status.



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