



Health Care Reimbursement Account

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Health Care Reimbursement Account

The Health Care Reimbursement Account (HCRA) offers a real advantage for your pocketbook. Many people find this a cost effective way to pay for such items as medical and dental plan deductibles/co-payments, eye-glasses, contact lenses, orthodontics and other health-related expenses that may not be covered by insurance. Even taxpayers who do not itemize can take advantage of this tax break by using the Health Care Reimbursement Account.

Who Should Enroll?

The Health Care Reimbursement Account is beneficial for anyone who has eligible out-of-pocket medical, dental, vision, or hearing expenses beyond what their insurance plan covers.



Use the Health Care Reimbursement Account to pay eligible out-of-pocket medical expenses on a...
TAX-FREE BASIS!

Is This a Good Program for Me?

It's easy to determine if the Health Care Reimbursement Account can save you money. Before the plan year begins, you will need to determine your annual election. It's a good idea to estimate the expenses that you will incur during the plan year.

You are allowed to include eligible out-of-pocket expenses for you, your spouse, and anyone claimed as a dependent for tax purposes. Review your health care expenses from the previous year. If you find you had \$100 or more in recurring or predictable expenses, this account can help you stretch your income.

We have provided a worksheet on the back of this brochure to help you calculate your estimated eligible expenses.

How Does It Work?

After you determine your annual expenses, identify an annual HCRA election that you are comfortable with. This amount will be deducted in even amounts from each of your paychecks. **You will need to plan carefully as the IRS requires that any unused money left in your account at the end of the plan year will be forfeited.**

When you have eligible expenses to be reimbursed, complete and sign a claim form. Attach to the claim form one of the following: 1) the insurance explanation of benefits (EOB) statement returned to you from the insurance carrier indicating the amount you are responsible for; 2) when a healthcare expense is not covered by your insurance, attach an itemized bill, complete with the name of the provider, date of service and description and cost of the services rendered. Services submitted must be **incurred** within the Plan Year. Mail your request to HCap Strategies and the claim will be processed on your next reimbursement date.

Can I Change My Election?

In line with Internal Revenue Service guidelines, you can change your election if you have a **qualifying status change** during the plan year. This includes change in legal marital status, change in number of tax dependents, termination or commencement of employment, dependent satisfies or ceases to satisfy dependent eligibility requirements, or a judgment, decree or order. However, the adjustment in your election must be relevant to the change in status and the requested election change has to be in line and consistent with the event. All requests must be submitted to HCap Strategies for approval.

What Are the Advantages of the Health Care Reimbursement Account?

Most important, the net cost of your required out-of-pocket health care expenses is reduced and made more affordable. The amount you contribute to your HCRA and the amount you are reimbursed from your HCRA are income tax-free. The amount you contribute to your

HCRA is not subjected to Federal, State, or FICA taxes. Generally, this will mean a tax savings of 15% to 40% depending on your tax bracket. As a direct result of your personal tax savings, you will actually reduce the cost of required expenses and thus, increase your spendable income.



What Are the Disadvantages of the Health Care Reimbursement Account?

Generally speaking, there are none with a bit of careful planning. However, we do want you to know that when you reduce your FICA taxes, you will be reducing your Social Security contribution. Research studies on this matter indicate that your tax savings generally outweigh any Social Security benefit reduction.

Based on group participation, key employees' participation may be restricted. You will be notified if this applies to you.

As required by law, any money in your HCRA not used by the end of the plan year will be forfeited. Therefore, it is in your best interest to be conservative when estimating your contribution. But keep in mind that your tax savings may more than make up for any extra dollars you leave in your account at the end of the year.

If you are in doubt about an expense, please contact our office for assistance. You will want to have your annual election as much in line with your medical out-of-pocket costs as possible.

How You Can Save Money...

Let's look at an example. As shown below, Ben E. Fits makes \$26,000 a year, and elects to contribute \$500 to his Health Care Reimbursement

Account. He then files eligible claims for the \$500 in his account. As the example shows, Ben E. Fits will save \$139 in taxes.

	Without a Reimbursement Account	With a Reimbursement Account	Tax Savings with a Reimbursement Account
Annual Pay	\$26,000	\$26,000	
Subtract Out-of-Pocket			
Medical Expense (Pre-taxed)	\$0	-\$500	
Federal Taxes 15%	\$3,900	\$3,825	\$75
State Taxes (Based on 5.3%)*	\$1,378	\$1,352	\$26
FICA Taxes (Based on 7.65%)	\$1,989	\$1,951	\$38
Out-of-Pocket			
Medical Expense (After-Tax)	-\$500	-\$0	
Annual Tax Savings			\$139

The above figures assume taxes for an employee who is single, using the standard deduction, no dependents and only includes wage income.

*State taxes where applicable.

Health Care Reimbursement Account Tax-Free Worksheet Illustration

This worksheet will help you estimate your annual uninsured medical expenses for the upcoming plan year, and your estimated tax savings realized through your participation in your HCRA. Remember to estimate conservatively, considering only those expenses you are confident will be incurred during the Plan Year, and that will not be covered by any insurance plan.



	Projected Plan Year Expenses (not covered by insurance)
1. Medical and dental deductible	\$ _____
Medical insurance co-payments and co-insurance	\$ _____
Dental insurance co-payments and co-insurance	\$ _____
Immunizations, injections and vaccinations	\$ _____
Routine examinations	\$ _____
Dental and orthodontic expenses	\$ _____
Prescription drugs or co-payments	\$ _____
Eye examinations, glasses and contacts	\$ _____
Hearing examinations	\$ _____
Transportation to and from medical provider	\$ _____
Medically necessary elective surgery	\$ _____
Over-the-counter medicines	\$ _____
Other expenses	\$ _____
2. Total estimated, uninsured medical expenses for the Plan Year	\$ _____
	Estimated Contribution and Tax Savings
3. Write down your desired HCRA Plan Year contribution	\$ _____
4. You will have equal amounts taken out of each regular paycheck and deposited into your Health Care Reimbursement Account	\$ _____
5. Multiply your per pay contribution by your total tax bracket (the sum of Federal, State, FICA tax rates). See the previous page for an example. Your Tax Rate: _____	\$ _____