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welcome

Flexible Spending Accounts —
The Smart, Sensible Way to Save





Welcome to Flexible Spending Accounts

Do you want to:

- Put more money in your pocket?
- Reduce your income tax liability?
- Budget for non-covered medical expenses?
- Set aside dollars for day care and other dependent care costs — so they are there when you need them?

If you answered “yes” just once, it’s time to consider a Flexible Spending Account (FSA). This guide explains the benefits of FSAs, helps you calculate your potential savings online or on paper, and describes how easy it is to enroll.

Start saving with an FSA

Most of your benefits are designed to protect you from the unexpected — things like accidental injuries, illnesses and disabilities. With FSAs as a part of your complete benefits package, you can also protect yourself from expected out-of-pocket costs, such as:

Health care expenses – vision exams and eyeglasses, hearing aids, orthodontia, medical and dental deductibles, even laser vision surgery and other services not covered by your medical benefits plan.

Work-related dependent care expenses – nursery schools and day care centers for your children, or for an adult dependent, so you can work.

If you want to maximize your tax savings, and you pay out-of-pocket for both health care and dependent care, you should consider two FSAs — one for each type of expense. All you’ll need to do is identify your expected expenses and contributions for each account. The money is kept in separate accounts and cannot be moved from one FSA to another.

Setting up an FSA is easy

When you enroll in a Flexible Spending Account, you decide how much you want to set aside from each paycheck before taxes are deducted. This lowers your taxable income and reduces the amount of tax you pay for the year. And the money you set aside is there for you to use all year long to pay for eligible health and dependent care expenses.

Dedicated Customer Service When You Need It

UnitedHealthcare has been in the FSA business since 1984. We consistently achieve the industry's highest standards for accurate and timely processing of millions of claims each year. We also make it easy for you to get the service you need, when you need it.

Dedicated, experienced staff handles FSA claims processing and customer service calls. You can reach a customer service representative weekdays from 8 a.m. to 10 p.m. Eastern Standard Time.

*For those groups with access to our Web site, **myuhc.com**, FSA account and other information is available online just about anytime.*

Our telephone self-service system can help you access claim activity and account status, or request a claim form.

How much can **YOU save** with an FSA?

It's easy to figure out your potential savings. The following example and the worksheets on the next few pages will help.

John earns \$48,000 a year. He estimates he will have \$2,200 in eligible health care and dependent care expenses next year, so he decides to enroll in two FSAs. The table below compares his monthly take-home pay and taxes, with and without the Flexible Spending Accounts.

John saves \$576 when he lowers his taxable income and pays eligible expenses on a before-tax basis. These savings represent 26% of the \$2,200 in health care and dependent care expenses John expects to pay during the year. For John, using his FSAs to pay for eligible expenses is like getting an automatic 26% discount on the cost of eyeglasses, childcare, prescription drugs, preventive treatment and orthodontia!

	With FSAs	Without FSAs
Monthly salary	\$ 4,000	\$ 4,000
Health Care FSA deposit	\$ 85	\$ 0
Dependent Care FSA deposit	\$ 100	\$ 0
Taxable income	\$ 3,815	\$ 4,000
Federal income taxes*	\$ 309	\$ 336
FICA taxes (Social Security, Medicare)	\$ 292	\$ 306
State income taxes**	\$ 48	\$ 55
After-tax income	\$ 3,166	\$ 3,303
Eligible health care & dependent care expenses	\$ 0	\$ 185
Spendable income	\$ 3,166	\$ 3,118
Savings from his FSAs	\$ 48 / month \$ 576 / year	\$ 0

*2003 tax rates for married taxpayer filing jointly, claiming 3 exemptions and standard deduction.

**Where applicable. Most states recognize Sec. 125 salary reductions. Check with your state's taxing authority.



Determine **your savings**

The following worksheets can help you figure out just how much you can save with a FSA. First, you need to estimate your health care and/or dependent care expenses for next year. Then follow the simple calculation on page 8 to determine potential savings.

Or, if you prefer, you can make this process even easier. Just visit myuhc.com and use our FSA Savings Calculator.

Please note that when you reduce your taxable earnings, you also may reduce the amount of pay on which your Social Security benefits are based. This may reduce your Social Security benefits slightly. If you have questions, contact your tax advisor.

Your health care FSA

Your health care FSA can reimburse eligible expenses not covered under your basic medical benefit plan. As you complete the following worksheet, consider the types and number of services you usually require in a year and think about others you may need.

When calculating your expenses, please note that your employer may limit the amount of money you can put in your FSA. Look for that limit in your benefits enrollment materials or your FSA's Summary Plan Description.

Also, the IRS mandates some services are not eligible for reimbursement, including:

- Cosmetic services and supplies
- Dental bleaching
- All services rendered before the effective date of your account.

A more comprehensive list of eligible expenses is available at myuhc.com. You also can get this information from IRS Publication 502, available at www.irs.gov, or by phone at **1-800-TAX-FORM (1-800-829-3676)**.

Eligible Health Care Expense	Your Estimated Out-of-pocket Expense
Acupuncture	
Birth control	
Chiropractic treatment	
Copayments & deductibles	
Dental exams & services	
Eye exams, glasses & contacts	
Hearing exams & aids	
Laser eye surgery	
Orthodontia services	
Prescribed medicines, including insulin	
Prescribed smoking cessation programs	
Psychiatric & mental health treatment	
Other	
Total estimated expenses	

Use your Dependent Care FSA to pay for day care or a babysitter for your eligible child while you work. It's tax-free!



Your dependent care FSA

Your Dependent Care FSA can reimburse you for certain expenses you pay so you can work. These expenses must be related to care or services provided to children under age 13, or dependents who are mentally or physically incapable of caring for themselves.

IRS rules limit the amount of money you can put in a Dependent Care FSA each year. If you are married and filing separately, you can contribute up to \$2,500 each year. Others can contribute as much as \$5,000 a year — all of it free from taxes.*

As you calculate your potential savings, keep in mind that, according to the IRS, some dependent care expenses are not eligible for reimbursement through an FSA. These include:

- Care provided by another dependent (you cannot pay one of your children to care for another)
- Expenses you claim under the Federal Dependent Care Tax Credit
- Expenses you incur before opening your Dependent Care FSA
- Health care expenses you pay for your dependents
- Transportation to and from a care provider.

Refer to IRS Publication 503, available at www.irs.gov, or by phone at **(800) TAX-FORM** for a more complete list of expenses.

Eligible Dependent Care Expense	Your Estimated Out-of-pocket Expense
Day care for your children under age 13 or an adult dependent	
Babysitters for your eligible child while you work, in or out of your home	
Housekeepers who primarily care for your eligible child or adult dependent	
Fees for a licensed elder day care center	
Fees for a child care center or nursery school	
Social Security and other taxes you pay to a care provider	
Total estimated expenses	

*Please note that if you choose to have eligible dependent care services reimbursed by your FSA, they cannot be claimed for a dependent care tax credit on your federal income tax return. Depending on your family's total annual income, a Dependent Care FSA may save you more. Consult a tax advisor to see which option is best for you.

Calculate **your savings**

In the table* below, find your tax filing status and gross annual income. Enter the corresponding federal tax percentage rate on Line B below. Then multiply Line A by Line B to estimate your federal tax savings.

	Single	Married Filing Jointly	Head of Household	Married Filing Separately
10%	0-\$7,150	0-\$14,300	0-\$10,200	0-\$7,150
15%	\$7,151-29,050	\$14,301-58,100	\$10,201-38,900	\$7,151-29,050
25%	\$29,051-70,350	\$58,101-117,250	\$38,901-100,500	\$29,051-58,625
28%	\$70,351-146,750	\$117,251-178,650	\$100,501-162,700	\$58,626-89,325
33%	\$146,751-319,100	\$178,651-319,100	\$162,701-319,100	\$89,326-159,550
35%	\$319,101 and up	\$319,101 and up	\$319,101 and up	\$159,551 and up

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Total estimated health care expenses from page 6 and dependent care expenses from page 8:

\$ _____ (Line A)

Tax percentage (from table above):

(x) _____ (Line B)

Your estimated savings from FSAs:

(=) \$ _____

* This chart is based on 2004 federal income tax tables. It is intended to provide an estimate of the federal tax savings you can expect in an FSA program. Actual savings will vary from this estimate. Also, state tax savings may apply. You may wish to contact your tax advisor for additional details on your projected savings.

Can I save money by opening one or more types of Flexible Spending Accounts?

___ Yes ___ No

Determine **your contribution**

Estimate what you think your out-of-pocket expenses will be for you and your dependents. You should make sure that you estimate enough to cover your expenses, but not too much. Any unused money at the end of the year will be forfeited. To help you estimate, you should review what expenses can be covered and review any records you may have from the previous year. You can also consult a tax advisor for assistance.

Even the few who forfeit funds often find that the taxes they saved offset the loss. And in most cases, you have a period of time following the end of the plan year to file claims for expenses you paid during that year. Check with your benefits office for specific claim filing deadlines.

To determine how much will be withdrawn from your pay, simply take your total contribution amount and divide it by the number of paychecks you receive in one year. This amount will stay the same during the plan year unless you have a “life event” that effects your benefits, such as a marriage, divorce or employment change.

The vast majority of participants (more than 97%), use all of the money they set aside — and many wish they had saved more.



Reimbursement is quick and easy

Getting reimbursements from your FSA is quick and easy. Our FSA experts review claims and quickly process reimbursement. Just remember:

You must receive and pay for health care or dependent care services before filing a claim for reimbursement.

If you participate in a UnitedHealthcare medical, dental or pharmacy plan, some of your health care FSA expenses — such as deductibles and coinsurance — can be processed through auto-rollover, our automatic filing process. For details, you can go online at myuhc.com or check your benefits office or see your Health Care FSA Summary Plan Description.

Some health care and all dependent care claims require that you complete a claim form and fax (or mail) it with your itemized receipt to the UnitedHealthcare Service Center.

Health Care FSAs reimburse eligible expenses up to the amount you choose to set aside over the entire year — regardless of how much you have actually deposited.

Dependent Care FSAs reimburse only up to the account balance on the date your claim is received. Claims exceeding the balance are reimbursed when there is enough in the account to cover them.

In most cases, you can have reimbursement made directly to the bank account of your choice. If you have access to myuhc.com, and your employer offers this feature, you can go online and set up direct deposit.

Enroll in FSAs and **start saving**

Once your participation begins, your employer will automatically withhold the amount you elect to set aside each pay period, before figuring your taxes. Then,

- You'll reduce your taxable income;
- You'll pay less tax; and, best of all,
- You'll have more money in your pocket than you would if you paid those same health care and dependent care expenses with after-tax dollars!

For more information, visit **myuhc.com** during open enrollment, check with your benefits office, or see your FSA Summary Plan Description.

When you use our **myuhc.com** Web site, you're just a click away from all types of valuable information about your FSAs and your health!

- Determine the cost of particular medical services or the treatment of various diseases by geographic area
- Sign up for automatic claims rollover and direct deposit
- Conduct a tailored search through a wealth of health and well-being information that fits your specific needs and interests
- Use the FSA Savings Calculator to determine your potential tax savings when you enroll in an FSA
- Track your FSA balances and expenditures
- Print Explanation of Benefits, participant statements and/or claim forms