

How Flexible Can You Be... ... and save money?

Special Points of Interest:

- Budget Cost Savings for State thru Flex
- Open Enrollment in November
- HCRA
- DCRA
- Testimonials
- Figuring your contributions

Open Enrollment During the Month of November

Enrollment for the Flex Plans is yearly during the month of November. Enrollment forms will be mailed to every State employee the first week of November. Completed form must be received in the SEIB office by December 1 for participation in the Flex Plans for the upcoming year.

www.seib.state.al.us
1-800-513-1384

William Ashmore, Director of the SEIB, explains the Benefits of FLEX for the State Employee

Dear State Employees:

As you know, the State of Alabama is facing serious budgetary problems. Therefore, it is critical that we take advantage of every opportunity to save money. One avenue open to all State employees is the Flexible Employees Benefit Plan. When an employee enrolls in Flex, not only does the employee save money, but the State saves through reduced FICA and withholdings.

Most State employees have at least \$360 or more in out-of-pocket medical expenses. However, only a small number of these employees have enrolled in Flex. Employees can save up to 30% of these costs by enrolling in the HCRA. In addition, paying for day care while you and your spouse work can also be very expensive. Enroll in the DCRA and pay for day care with pre-tax dollars.

Our current budget crisis demands that we take advantage of the cost savings readily available to us through the Flex. To maximize your savings you should:

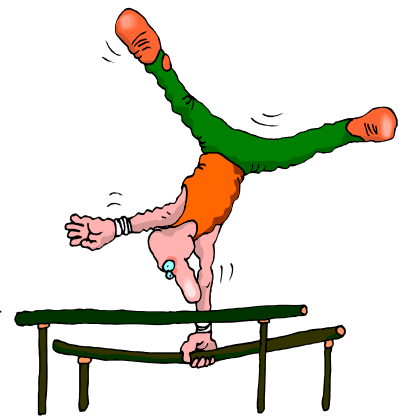
- Calculate your out-of-pocket medical expenses for you and your household and your day care expense. If these expenses are over \$360 a year, you could benefit from enrolling in the Flex Plans. [See Savings Calculator at www.seib.state.al.us.](http://www.seib.state.al.us)
- Encourage your supervisor or Personnel Manager to schedule a Flex Plan presentation in your office.

For more information on the Flex Plans or on available presentations, please call the State Employees' Insurance Board, at 334-833-5907 or 1-800-513-1384.

Sincerely,



William L. Ashmore, CPA
SEIB Executive Director



The State Employees' Flexible Benefits Plans can help you and the State of Alabama save money.



Did you know that as a State of Alabama employee you have the ability to set money aside from your paycheck, before taxes, to reimburse you for health care expenses not covered by your health insurance plan, such as deductibles, co pays, eyewear expense and other out-of-pocket medical expenses? In addition, you can set aside money, tax free, to reimburse you for day care expenses you have incurred. You will never pay taxes on this money. Your employer, the State of Alabama, does not pay taxes on your contribution, either.

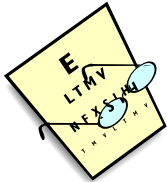
The Health Care Reimbursement Account (HCRA) and the Dependent Care Reimbursement Account (DCRA) are offered through the State Employees' Flexible Benefit Plan. The minimum contribution that can be set aside is \$15.00 per 24 paychecks. The maximum amount you can have deducted on each of these plans is \$208.00 per 24 paychecks. The maximum amount allowed by the Tax Code per plan every year is \$5,000 per family.

HCRA - How it works for you



Enrollment for the Flex is in November with the plan year starting January 1st. Starting January 1 you can receive up to the amount you pledge to contribute to your HCRA. You will receive a check for your deductibles and co-pays, physician office visit co-pays, eye glasses, and contact lenses. It also reimburses you for services not covered by your health insurance plan, such as the eye laser surgery and, starting in 2004, it will reimburse you for over-the-counter medication for allergy and sinus treatment.

The Plan can also be used to reimburse you, with money that has not been taxed, for dental services beyond what your health insurance plan covers, such as orthodontics, crowns and bridges.



“The HCRA works like an interest free loan on those larger medical expenditures like glasses or laser surgery”



Reimbursement is simple and *fast*

No forms to fill out - nothing to file on deductibles and co-pays for services that are covered under your State Employees' Insurance Plan, administered by Blue Cross Blue Shield. Your out-of-pocket expenses will automatically be reimbursed to you when your doctor, dentist and pharmacist file for payment of a service with Blue Cross Blue Shield.

You see, Blue Cross Blue Shield helps us administer the HCRA. They notate your file when you enroll in the HCRA. When they receive a claim from your provider they automatically send a check to you for your co-pay amount. You can even choose to have this reimbursement made by direct deposit to your bank account.

The only time you will need to file a claim is on services not covered by your health insurance, such as glasses or contacts or on a dependent not covered under your health plan.



VISIT OUR WEBSITE AT: www.seib.state.al.us

DCRA—what it can do for you

Paying for dependent day care while you and your spouse work can be very expensive. The DCRA will reimburse you for day care expenses that occur for the care of your dependents (child or adult) inside or outside your home.



If your day care expenses are consistent, you can attach a statement from the day care provider and you will receive reimbursement without filing a claim. The payment can also be deposited directly into your checking account by completing that section on the enrollment form and attaching a voided check.

“You will never pay taxes on the money you contribute to your Flex Plan.”

What your fellow State Employees have to say about “getting flexible.”



“When I learned that my daughter needed braces, I didn’t know what I was going to do. I found out about the Flex Program and signed up. It is actually a no-interest, tax-free loan. Following my enrollment, I received my first reimbursement of more than \$1,500 by January 11, 2003 and I have received my monthly reimbursement allowing me to make the monthly orthodontic payments. Any active State employee who spends \$360 or more a year in healthcare expenses would be CRAZY not to enroll.” - Tonya Campbell

“Paying for my daughter’s day care expenses using the DCRA saves me money because I don’t pay income taxes or payroll taxes on the amount I have withheld from my paycheck. It’s also very convenient because the withheld amount is deposited back into my checking account and I can pay my day care provider by check as usual.” - Christy Erb

“I recommend the Flexible Benefits Program to other state employees. Why? One, it financially assists me with medical costs. Second, it is so easy to use. Just pay the doctor or pharmacist and within a week or so you receive a check from BCBS!” - Sharleen Smith

“I love my HCRA. I purchased new glasses last year right after I enrolled in the program and I had a check for my glasses before I got my credit card bill! If you have \$360 or more in out-of-pocket medical expenses, sign up—it’s good for you and the State of Alabama.” - Wynnette Harris

“I thought I would miss the money coming out of my paycheck—that was my reason for not enrolling sooner. With my medical expenses rising, I enrolled and I am so glad I did. I don’t notice the money coming out because it is taken before taxes and I love getting the checks back when I have incurred a co-pay or deductible. It’s like “free money.” - Connie Gantt

“The savings you realize using the DCRA and the HCRA are enormous because you save not only in your federal taxes but also your Social Security taxes. Most programs, such as deferred retirement programs, only save you the federal taxes. Carefully compute for the year the amount of money you wish to defer.” - Loren Hoercher, Jr.

Visit our website for more information and enrollment forms

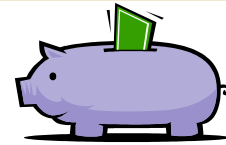


Misplaced the enrollment forms sent to your home address earlier this month? Would like more information on the HCRA and the DCRA? Want to learn more about Flex by viewing a Power Point presentation online? Visit the State Employees’ Insurance Board’s website: www.seib.state.al.us

If you do not have access to the Internet or just need a little one-on-one consultation, call the SEIB office and let a Flex staff member assist you. Call us at **1-800-513-1384**.

Directors, Supervisors or Personnel Managers: a representative would be glad to come to your office before November 30 to speak with your employees about the Flex Plans. Call 1-800-513-1384 to set up a day and time.

How much do I put into my Flex Plan?



Identify your HCRA eligible expenses that you expect to have for yourself and your household from this list:

- Deductibles _____
- Copays _____
- Prescription drugs _____
- Dental care/orthodontia _____
- Vision care _____
- Hearing care _____

Total _____

Divide your total HCRA expenses by 24. This represents the number of pay periods with the HCRA deduction. Your contribution will be deducted automatically from your pay before federal income tax and Social Security tax are calculated.

Do not include expenses that you are unsure about.

Identify your DCRA expenses from this list:

- Day care under age 6 _____
- School age _____
- Before school _____
- After school _____
- Summer _____
- Summer day camp _____
- Adult day care _____

Total _____

Divide your total DCRA expenses by 24. This represents the number of pay periods with the DCRA deduction. Your contribution will be deducted automatically from your pay before federal income tax and Social Security tax are calculated.

Do not include expenses that you are unsure about.

How much will I save?

- To calculate your savings with a HCRA or a DCRA, take the total amount you are contributing and multiply that amount by your tax bracket percentage. We used 27% for our example; your percentage may be higher. As our example shows, if you contribute \$1,000 to an HCRA and your tax bracket percentage is 27%, then you will have a savings of \$270. See Savings Calculator at www.seib.state.al.us.



IMPORTANT FLEX FACTS IMPORTANT

The advantages of participating in the Flex Plans are:

- The tax savings. The contributions are not subject to payroll taxes so it results in more spendable income.
- This income will never be taxed.
- Your employer, the State of Alabama, saves money too.
- No cost or administrative fee for the employee.

Calculate your contribution carefully; do not count expenses you are unsure of because:

- If you do not use the money you will lose the money. It does not “carry over” to the next year. You might want to underestimate your expenses your first year on the plans.
- No changes can be made in your contribution unless you have a qualifying “status change.”
(Go to www.seib.state.al.us for information on status changes.)

Visit our website: www.seib.state.al.us