



Unicorn HRO

Flexible Spending Accounts

Flexible spending accounts (FSAs) allow employees to fund medical and dependent care costs on a pre-tax basis. Some rules established by the IRS include:

- Employees must enroll in the plan at the beginning of the year or when they become eligible after being hired, and specify how much they will contribute. This can only be changed if the employer's plan permits it, usually under the following circumstances: (1) a significant change in the cost of health benefits occurs; (2) a change in family status occurs.
- Deductions are taken out of each pay period.
- Deductions are exempt from certain taxes.
- Per federal rule, there is a limit of \$2,500 that may be contributed to a medical account. However, the employer may specify a limit.
- A \$5,000 limit applies to the dependent care account.
- If an employee does not spend all of the money set aside, the money is forfeited. The company can do one of the following with forfeited amounts: (1) reallocate the money equally among all participants; (2) use the money to cover costs of administering the plan; or (3) reimburse the company for medical claims that are paid where employee contributions were not sufficient.
- Employees submit claims to be paid from the FSA.
- Medical claims must be paid, even if the employee has not contributed enough money to cover the claim.
- FSA plans can allow a grace period up to 2 ½ months after the end of the plan year in which employees can incur claims and be paid from the plan year benefits or contributions.

FSA Set-up:

Tables:

- FSA Group common object
- Flexible Spending Accounts common object:
 - Set Medical FSAs to Yes in the Medical field. This will cause the FSA Payment Generation function to pay the entire claim, regardless of whether the employee has contributed enough to cover the claim.
 - Set Dependent Care FSAs to Yes in the Dependent field. This will cause the FSA Payment Generation function to check whether the employee has contributed enough to cover the claim before paying it.
- Payroll Deductions common object
- Benefit Deduction Defaults

Flexible spending accounts (FSAs) are put into FSA groups, so that employees in a certain division or department of the company may only select from the FSAs that are available to them, through the use of groups.

After the above tables have been set up, access the **Flexible Spending Account Plans** option. Select the FSA Group that you will be working with and the applicable year. Then enter individual flexible spending accounts. The Flexible Spending Account is the type of account being offered, for example, day care or medical FSA. The Payroll Deduction field is the deduction that will be taken from the employee's pay when contributing to the FSA. FSAs are usually driven by calendar year, so you would usually enter the first day of the plan year in the Effective Date field. The Termination Date is mandatory. Again, since FSAs usually go by calendar year, this would be the last day of the year. If the FSA is defined as a Medical account in the common object, all claims will be paid regardless of the amount that has been contributed. If Full Claim Payment is set to Yes, the system will not allow a claim to be paid unless the Planned Contribution amount is large enough to pay the claim. If this field is set to no, a partial payment will be made up to the Planned Contribution amount. If the plan allows a grace period, enter the last date of the grace period in the Pay Claims Up To field. If there is no grace period, the Pay Claims Up To date will be the same as the Termination Date.

Select the Limited-Use option if the FSA is a limited use or limited purpose FSA for employees who are enrolled in high deductible health plans (HDHPs). The limited use FSAs can be used for expenses such as dental and vision that are not covered under the HDHP. When an employee is being enrolled in a limited use FSA, the system will first check that he or she has an active benefit for a HDHP, which is indicated by the Benefit Plan having an amount in the Maximum HSA Contribution Allowed field. If the employee is not enrolled in this type of plan, an error message will appear and the employee will not be allowed to select the limited use FSA. The system will perform this edit and display the error message in all of the enrollment functions where FSAs can be selected:

- Flexible Spending Accounts
- First Time Enrollment
- Life Events
- Open Enrollment

The system will not allow a medical FSA if the employee has a high deductible health plan and a medical HSA. Also, the system will not allow an employee to select both a medical FSA and a limited use medical FSA. An exception to this rule is if the Allow Employee to Select Limited-Use FSA Without Selecting HDHP in Enrollment Functions checkbox in Benefit Enrollment Defaults is selected; in this scenario, a warning will appear, but the employee will be allowed to select the Limited-Use FSA, as in the case where his or her spouse is enrolled in a HDHP plan.

FSAs are entered by year. As part of the preparation to go from one year to the next, the **Flexible Spending Accounts Copy** function can be run to copy set-up information. Any changes can then be made to the new year's records.

Employee Enrollment:

An FSA Group can be assigned to an employee through **New Hire, Add Employee or Work Profile**. It can also be assigned from the **Flexible Spending Accounts** function. If a group is already assigned, it cannot be changed on the FSA screen, but must be changed through **Work Profile**.

In **Flexible Spending Accounts**, the FSA Group will display. You may change the employee number or enrollment year on this screen. Click on the Add button to see the available FSAs for this Group and year. Select the FSAs for this employee and enter the Planned Contribution amount for each FSA you chose. This is the annual amount that the employee will be contributing to the FSA. When the payroll deduction is created, the following steps occur:

- 1) Before a Deduction can be written, the following data is retrieved:
 - FSA Definition for the FSA Year, Group and Code being processed.
 - FSA Amount for the Employee, Year, Group and Code being processed.
 - Benefit Deduction Defaults for the current user.
 - Payroll Deduction common object for the Deduction specified in the FSA Definition.
 - Work Profile for the Employee being processed.
 - Organization Level 2 Definition using the first two levels from the Workforce data.
 - Misc. Payroll record for the Legal Entity from Organization Level 2 and the Tax Year from the Benefit Deduction Defaults.
 - Pay Period End Dates on and after the FSA Effective Date from the employee's Pay Calendar

- 2) The system looks for a record in Deductions where
 - Employee# is from the FSA Enrollment.
 - Legal Entity is from Level 2 of the Organization Record based on the Employee's Workforce.
 - Deduction is from the FSA Definition.
 - Entered Deduction Start Date is the start date.

- 3) If a record is found, then this will be an update to the deduction, otherwise a new deduction is created.

- 4) Setting Deduction Values:
- Employee# is from the FSA Enrollment.
 - Legal Entity is from Level 2 of the Organization Record based on the Employee's Workforce.
 - Deduction is from the FSA Definition.
 - Start Date is the earlier of the following: the FSA Effective Date or the first Scheduled Date that has an Issuance Date on or after the FSA Effective Date.
 - Active is set to true.
 - End Date is the Termination Date of the FSA Definition.
 - Pay Frequency: If the Benefit Deduction Default = "P" and Employee Payroll is available, use Frequency from Employee Payroll; otherwise, from the Benefit Deduction Defaults.
 - Arrears Opt and Priority come from the Benefit Deduction Defaults.
 - FSA Group, Code and Year come from the enrollment screen.
 - The Maximum Per Year is set to the Planned Contribution (only if it is greater).

Note: If there are no Pay Period End Dates in the Pay Calendar after the FSA Effective Date (as would be the case for next year's enrollment), the system will get the Pay Frequency from the Misc. Payroll record, and divide the annual contribution by the number of pay periods. This will be the Fixed Deduction Amount.

If Pay Period End Dates exist, the system calculates how many Remaining Pay Periods (after and including the Start Date) are left in the Pay Calendar, using the Legal Entity from Organization Level 2, Pay Group from Misc. Payroll, and Year from the Benefit Deduction Default's Tax Year. The system only uses pay dates where Weeks Worked is greater than zero (this eliminates special payrolls, such as Bonus payrolls). The Fixed Amount is the Planned Contribution divided by the Remaining Pay Periods.

- 5) If a Deduction Total record does not exist, it is created.
- 6) If there is a Deduction Definition for the Tax Year specified in the Benefit Deduction Defaults, and there is a fixed amount or percent, then check to see if an Employer Formula Record exists. If it does, update it, otherwise add it, as follows:
- Percent and Amount Buckets from the Deduction Definition defaults
 - Maximums and Minimums from the Deduction Definition defaults
 - Active set to true
 - Entered Deduction Start Date as the Start Date
 - FSA Definition Termination Date as the Termination Date.

When deductions are taken, the Actual Contribution field will be updated with the amount. Contributions can also be entered from this screen, say if an employee gave a check to the company to make up for a lost pay period. Any necessary adjustments can also be made through the Contributions screen (positive or negative). If you need to adjust the Planned Contribution amount, click on the Set Planned button and enter the new amount. When claims are entered, the system will display the amount of Paid Claims, Open Claims, and calculate the Planned Contribution amount minus the Paid Claims amount.

If Claims exist for an employee, use FSA Payment Generation to pay the claims.

Since employee elections are made only for the current year, new enrollments must be entered at the start of each new year.

Claims:

- Tables: Claims Expense Types
 Currency Codes
 Flexible Spending Accounts
- Dependents if claims are being entered for dependents

When the employee submits a claim against a flexible spending account, enter it through the **Employee Claims** function. To link the claim to an FSA, enter the Flexible Spending Account plan and the Amount Applied to FSA in order for the claim to appear when using the Pay Claims option. If the Incurred From Date and To Date fall within the Effective Date and Pay Claims Up To date of the FSA, it will appear in the FSA Payment Generation function. Once the claim has been paid through the FSA, the total amount and date of payment will be displayed on the claim screen. The claim screen will also show the year(s) from which the claim was paid. If the plan allows a grace period, it is possible that a claim was paid from two enrollment years.

Paying claims and printing checks:

FSA Bank Accounts: In order to print checks, bank information must be set up in this function.

In the MICR Information field, use characters “a”, “b”, “c” and/or “d” to represent MICR characters. You must have a MICR font to print these characters on the checks. In the Report Name field, use “fsachecks” to use the generic check layout, or create your own layout and store it in the Reports.prl table. Enter this name in the Report Name field.

FSA Payment Generation: This function will pay claims associated with FSAs in which employees are enrolled. Employees can be sorted by name, employee number or social security number. Claims are entered through the Employee Claims function. In FSA Payment Generation, claims for dates from the Effective Date to the Pay Claims Up To will be displayed. (If no Effective Date was specified on the employer FSA set-up, all claims up to the Termination Date will be displayed.) Highlight the claims you wish to pay, or click on the Select All button. To print a report without paying the claims, select the Verification Report option. To pay claims, select the Payment Generation option. The Payment Generation option does not print a report, so it is recommended that you print a report before you pay claims. You may also use the FSA Check Register to print a list of checks which have been printed. When a claim is paid through an FSA, the Amount Paid Via FSA and Date Paid From FSA fields will show the applicable information when viewed through the Employee Claims option. If the FSA plan offers a grace period, and the claim is within the grace period for the prior enrollment year, the system will try to pay the claim from the prior enrollment year first. If there is not enough money to do this, the system will try to pay the claim from the current enrollment year.

FSA Check Print: After a claim has been paid through FSA Payment Generation, the check can be printed using this function.

FSA Check Register: By using this function, you may print a report that shows details of payments after checks have been printed. Selections can be made by organization, FSA group and payment date.

FSA Check Inquiry: All payments can be viewed using this function. Claim numbers and amounts associated with the payment can be viewed. Payments can be reconciled using this function by changing the Mode from Normal to Reconcile.

FSA Check Clear: If a problem occurred while printing checks, they can be renumbered using this function. The system resets the selected check number(s) to zero. You may then reprint them, using the same check numbers or different check numbers, with FSA Check Print.

FSA Check Void: This allows you to void a check that was created through FSA Check Print.

FSA Discrimination Test Report: This function will perform the concentration test and average benefit test for flexible spending accounts. These tests are run by FSA Group. The population for which you are running the report must all be in the same FSA Group. At this time, iCON does not handle testing across multiple groups.

FSA Discrimination Test Set-up:

Perform the following set up steps prior to running the FSA Discrimination Test Report.

- Employees who are eligible to participate in the FSA plans must be assigned to the FSA Group in **Work Profile**, whether they choose to participate or not.