What is a dependent care flexible spending account?
A dependent care flexible spending account (FSA) is an employer-sponsored plan that allows you to set aside a portion of your income on a pre-tax basis and then use that money to pay for eligible, employment-related dependent care expenses incurred for a qualifying individual.

What is the advantage of participating in a dependent care FSA?
Participating in a dependent care FSA can significantly reduce your taxes and increase your take-home pay by allowing you to use pre-tax dollars to pay for qualified dependent care expenses including childcare, after school care and day camp. A comprehensive list of eligible expenses is available online at www.anthem.com.

Who is a qualifying individual?
A qualifying individual is:

- Your dependent child age under the age of 13 who lives with you for more than half the year.
- Your spouse or other qualifying dependent that is physically or mentally incapable of self-care and lives with you for more than half the year.

What if I am divorced?
If you are divorced and you are the custodial parent, your child is a qualifying individual even if you do not claim the child as a tax dependent. A divorced, non-custodial parent cannot be reimbursed under a dependent care FSA, even if the divorced, non-custodial parent claims the child as a tax dependent.

What constitutes an "employment-related" expense?
To be eligible for reimbursement under your dependent care FSA, an expense must be incurred to enable you (and your spouse, if married) to work or look for work. For this purpose, “work” may include actively looking for work but does not include unpaid volunteer work or volunteer work for a nominal salary. Your spouse is considered to have worked if he or she is a full-time student for at least five calendar months during the tax year or if he or she is physically or mentally incapable of self-care.

Expenses you pay for dependent care while you are off work due to illness generally are not eligible for reimbursement. However, temporary absences from work may be disregarded if you are required to pay for dependent care expenses during the absence. Whether an absence is short and temporary depends on the facts and circumstances of the situation; however, IRS regulations stipulate that an absence of up to two consecutive weeks due to illness or vacation is a short-term or temporary absence.

What if I work part-time?
In general, if you work part-time you must allocate expenses between days worked and days not worked. However, if you work part-time but are required to pay for dependent care expenses on a periodic basis (including non-working days), you do not have to allocate expenses between days worked and days not worked. These two scenarios are illustrated in the examples below.

Allocation Required. You work three days a week and have voluntarily placed your child in day care five days a week so you may remain gainfully employed. Your cost for the childcare is $50.00 per day and $250.00 for the week. Because you work part-time and are not required to pay the full $250.00 expense, you must allocate your expenses according to your days worked. In this case, your allocated expenses equal $150.00 ($50.00 per day for the three days worked).
Allocation Not Required. The facts are the same as above, but in this scenario your dependent care provider requires that you pay the full $250.00 fee regardless of the number of days that care is actually provided. In this case, the full $250.00 expense may be considered an employment-related expense and allocation of the expense based on days work is not required.

What expenses are covered under a dependent care FSA?
A dependent care FSA covers qualified dependent care expenses incurred for the care of one or more qualifying individuals as described above. Typical eligible expenses include:

- Before school and after school care
- Expenses for preschool/nursery school
- Extended day programs
- Au pair services (amounts paid for the actual care of the dependent)
- Babysitter (in or out of the home)
- Nanny services (amounts paid for the actual care of the dependent)
- Summer day camp for your qualifying child under the age of 13
- Elder day care expenses of a qualifying individual

This list is not complete. You may view a comprehensive list of eligible expenses online at www.anthem.com.

What expenses are not covered under a dependent care FSA?
Ineligible expenses include the following:

- Amounts paid to your spouse, your child under age 19, a parent of your child who is not your spouse or an individual for whom you or your spouse is entitled to a personal tax exemption as a dependent
- Expenses attributable to a disabled spouse or tax dependent living outside your household
- Educational expenses
- Tuition for kindergarten and above
- Food expenses (unless inseparable from care)
- Incidental expenses (e.g., extra charges for special events or activities unless inseparable from care)
- Overnight camp

This list is not complete. You may view a comprehensive list of eligible and ineligible expenses online at www.anthem.com.

How much can I contribute to my dependent care FSA?
Your election may not exceed the maximum amount specified in Section 129 of the Internal Revenue Code. Currently, the maximum annual amount is $5,000.00 per year ($2,500.00 if you are married and file separate returns).

Although the general annual maximum is currently set at $5,000.00, your maximum annual contribution amount may not exceed the earned income limitation. If you are single, the earned income limitation is your salary (excluding your contributions to the dependent care FSA plan). If you are married, the earned income limitation is the lesser of your salary (excluding your contributions to the dependent care FSA plan) or your spouse's salary.

My spouse also participates in a dependent care FSA. Can we both elect up to $5,000.00?
No. If you are married and file a joint tax return, your combined maximum election amount is $5,000.00. The maximum amount available to you if you are married but filing separate returns is $2,500.00. Expenses reimbursed under your dependent care FSA may not be reimbursed under your spouse's dependent care FSA and vice versa (i.e. no “double-dipping”).
Is tuition an eligible dependent care expense?
No. Fees associated with tuition for kindergarten or children in first grade and above are not eligible for reimbursement under a dependent care FSA. However, expenses related to before school care, after school care and nursery school expenses are eligible if the care is primarily custodial in nature.

I pay my neighbor to watch my 13-year-old after school. Is this an eligible expense?
No. To be an eligible expense, the care must be provided to a qualifying individual. A child age 13 or above is not a qualifying individual.

My 16-year-old daughter cares for my 8-year-old son after school. Can I pay my daughter and be reimbursed for those expenses through my dependent care FSA?
No. You may not be reimbursed for payments made to a dependent for which you (or your spouse) can claim an exemption or for payments made to your child who is under age 19 at the end of the year.

If I participate in the dependent care FSA plan, do I need to report anything on my personal income tax return at the end of the year?
Yes. You must identify all persons or organizations that provide care for your child or dependent by filing IRS Form 2441 - Child and Dependent Care Expenses, along with your Form 1040 each year (or Schedule 2 for Form 1040A). Please note that filing requirements are subject to change by the IRS. Consult your tax advisor for more information.

If I participate in the dependent care FSA, will I still be able to claim the household and dependent care credit on my federal income tax return?
No. You may not claim any other tax benefit for the tax-free amounts received by you under the dependent care FSA, even though the balance of your eligible, employment-related dependent care expenses (if any) may be eligible for the dependent care credit. In limited situations, it may be to your benefit to take advantage of the tax credit rather than participate in the dependent care FSA. Consult your tax advisor for more information.

I elected to contribute $400.00 per month into my dependent care FSA. My actual expenses are closer to $500.00 per month. Should I submit my claim form for $400.00 or for $500.00?
You should file your claim for the actual amount of the expense (in this case, $500.00). The maximum reimbursement you may receive is equal to the current account balance in your dependent care FSA. If your request for reimbursement exceeds the available balance in your dependent care FSA, the remaining amount will be placed in pending status and paid when additional contributions are posted to your account.

What if my eligible dependent care expenses during the plan year are less than the annual amount I have elected?
All money contributed to your dependent care FSA must be used to reimburse qualified expenses incurred during that plan year. Money not used to reimburse eligible expenses is forfeited. The unused portion of your dependent care FSA may not be paid to you in cash or other benefits, including transferring money between FSAs. To reduce the risk of forfeiture, it is critical for you to be conservative when choosing your annual election amount. Our online savings calculator can help you estimate your annual expenses.

How often are reimbursements made?
Reimbursements are issued on a schedule chosen by your employer.

Where can I get a reimbursement request form?
Reimbursement request forms are available on the employee section of the Anthem Web site. You must first log in to your account to access these forms.
What do I need to submit in addition to a reimbursement form?
If the employee and provider certifications on the reimbursement request form are completed and signed, no additional documentation is required. If the provider certification is not completed and signed, you must submit an itemized statement from your provider including the date(s) of service, the name(s) and date(s) of birth of your dependent(s), an itemization of charges and the provider's name, address and Tax ID/SSN number.

Is there a deadline for submitting claims?
Your plan may include a “run-out period” which is a pre-determined period after the end of a plan year during which you may file claims for expenses incurred during the plan year. After that period has expired, any unused dollars are forfeited. To verify the time limit for filing claims, please refer to your summary plan description.

Your plan may include a 2.5-month grace period extension. This feature creates a grace period that immediately follows the end of the plan year during which unused funds remaining in your health care and/or dependent care FSA may be used to reimburse eligible expenses incurred during the grace period.

The grace period begins on the first day immediately following the last day of the plan year and ends exactly two months and fifteen days later. For example, if the plan year ends December 31, 2009, the grace period will begin January 1, 2010, and end March 15, 2010.

The 2.5-month grace period ensures that you have the opportunity to maximize the funds in your account and avoid forfeiture of those funds through the “use-it-or-lose-it rule.” You should still carefully estimate your planned expenses based on a 12-month period and make a conservative election based on that estimate. Remember, the grace period is meant to help you when your expenses fall a little short of expectations; it is not an extension of the plan year that requires an increase in your election amount.

Not all plans include a run-out period or 2.5-month grace period extension. To determine if your plan includes these features, and to verify the time limit for filing claims under your plan, please refer to your summary plan description.

What if I decide to change the amount I elected?
Your election is irrevocable for the plan year unless you have a change in status or other qualified event as defined in the IRS regulations and your employer's plan permits such qualified changes. Qualified changes in status include:

- A change in marital status (marriage, divorce or death of your spouse)
- A change in the number of your dependents (birth or adoption of a child, or death of a dependent)
- A change in employment status of you, your spouse or dependent
- An event that causes your dependent to satisfy or cease to satisfy an eligibility requirement for benefits
- A change in residence of you, your spouse or dependent

Your requested change must be on account of and consistent with the event. With respect to your dependent care FSA, you may change or terminate your election only if:

- Such a change or termination is on account of, and corresponds with, a change in status that affects eligibility for coverage under the Plan.
- Your election change is on account of, and corresponds with, a change in status that affects the eligibility of dependent care assistance expenses for the available tax exclusion.

You may also change your dependent care FSA election when an independent, third-party provider (other than a relative) significantly increases or decreases the cost of dependent care or when there is a coverage change (e.g., a change in providers).
Please Note: The information above is provided under the assumption that your employer's plan allows all changes permitted under the IRS regulations. An employer may restrict mid-year election changes through plan design. Please see your summary plan description for specific rules governing your plan. If you experience a change in status or other qualified event, please contact your human resources or benefits representative to obtain the appropriate paperwork for completion.

What is the "use-it-or-lose-it" rule?
The "use-it-or-lose-it" rule is a provision in the IRS regulations which requires that all money contributed to your FSA must be used to reimburse qualified expenses incurred during that plan year. Money not used to reimburse eligible expenses is forfeited. The unused portion of your dependent care FSA may not be paid to you in cash or other benefits, including transferring money between FSAs. To reduce the risk of forfeiture, it is critical that you carefully estimate your expenses when choosing your annual election amount.

What happens if I terminate my employment?
If you terminate your employment during the plan year, or you otherwise cease to be eligible under the plan, your active participation in the plan, as well as your pre-tax contributions, will end automatically. Expenses for services rendered after your termination date are not eligible for reimbursement.

In limited scenarios, your dependent care FSA plan may include a “spend-down” provision that allows you to submit dependent care expenses incurred after your termination, assuming you continue to meet all other participation requirements. This feature is not available in all plans. Please see your summary plan description for specific rules governing your plan.

How do I keep track of my account activity?
Your account information is available 24/7 from the employee section of our Web site. Simply log in to your account and you have access to real-time account information including account balance, claims status, and payment history.