

# Health Care Flexible Spending Account



Employees **MUST ENROLL** in the HCFSAs each year.

A Health Care Flexible Spending Account (HCFSAs) helps an employee save money on taxes by paying for eligible out-of-pocket medical, dental, vision, or other qualifying expenses for the employee and their eligible dependents (as defined by the IRS) with pre-tax dollars.

The maximum amount an employee can contribute is \$120 – \$3,200 (as determined by the IRS). Employer payroll units deduct an employees' annual contribution amounts (in equal portions) from their paychecks throughout the plan year. However, an employee's entire annual election amount is available to him/her on the first day of the plan year or the first day benefits become effective. Participants of the plan can roll over up to \$640 of unused account balances into the next plan year, as long as they have a minimum balance of at least \$25. Learn more about the order rollover funds are used on the next page.

Employees who enroll in the HCFSAs will receive a debit card, the NCFlex Convenience Card. The card makes it easy to access the funds in the HCFSAs. See [page 12](#) for more information.

## HCFSAs Rollover Feature

If an employee participated in the HCFSAs in 2024, up to \$610 of the unused account balance from 2024 will roll over to pay eligible expenses in 2025 as long as they have a minimum balance of \$25. If an employee did not re-enroll in the FSA for 2025, they cannot make new contributions, but may still use these rollover funds. This rollover feature only applies to the HCFSAs, not to the DDCFSAs.

For the 2025 plan year, expenses must be incurred between January 1 and December 31, 2025, to be eligible for reimbursement. Employees have until March 31, 2026, to submit claims for reimbursement. Employees can roll over up to \$640 of unused account balances into 2026 as long as they have a minimum balance of \$25. Any funds exceeding this amount will be forfeited.

## Eligible and Ineligible Expenses

Go to [ncflex.org](https://www.ncflex.org) for a sample list of eligible and ineligible expenses. To access the IRS list of expenses, visit [irs.gov/publications/p502](https://www.irs.gov/publications/p502).

## Eligible Health Care Expenses\*

Employees may use the HCFSAs for reimbursement of the following out-of-pocket health care expenses incurred during the plan year:

- Deductible(s) and copayments for the employee's health plan or their qualifying relative's plan.
- Coinsurance for any medical or dental bills after the deductible is met.
- Any amounts employees are required to pay after reaching the maximum benefit under a medical or dental plan.

- Over-the-counter medicines — no prescription needed. Vitamins and supplements are not included in over-the-counter medications, but may be covered with a physician's prescription.
- Other allowable expenses including, but not limited to:
  - Dental expenses
  - Hearing aid and its batteries
  - Infertility treatment
  - Menstrual items
  - Insulin and diabetic supplies
  - Mileage (\$0.21 per mile for 2025) to/from medical provider's office for treatment (For up-to-date rates, go to [irs.gov](https://www.irs.gov).)
  - Orthodontia
  - Prescription drugs
  - Refractive surgery (RK, PRK, LASIK)
  - Smoking cessation programs
  - Medical supplies
  - Tuition at a special school or specially trained tutor for disabled children
  - Vision expenses (exams, glasses, frames)
  - Weight reduction program (prescribed by doctor to alleviate a diagnosed medical condition or obesity), but plan food is not covered
  - Personal care items such as sunscreen (SPF 15+), bandages, shoe insoles, inserts, and cushioning

*\* Some health care expenses may require a letter of medical necessity written by an authorizing physician. There is a standard form available at [ncflex.org](https://www.ncflex.org) that an employee's physician can complete.*

## Ineligible Health Care Expenses

**Medical, dental, and other premiums cannot be reimbursed through the HCFSAs.** In addition, elective cosmetic procedures and similar expenses are not allowable expenses according to the IRS. Common ineligible expenses include:

- Vitamins and supplements, unless prescribed by a physician.
- Cosmetic procedures that are not to correct a congenital deformity or disfigurement due to an accident or disease.
- Dental procedures to whiten teeth.
- Weight loss programs, unless prescribed by a doctor to alleviate a diagnosed medical condition or obesity.

## Shop for Eligible Expenses Online at the FSA Store — and Save!

Employees can experience convenience and savings when they shop at the FSA Store, a one-stop shop that offers significant discounts on thousands of pre-approved eligible FSA products. The NCFlex Convenience Card can be used to purchase these items. Visit [ncflex.padmin.com](https://ncflex.padmin.com) to access the FSA Store today!

## How to Submit FSA Claims

The Health Care and Dependent Day Care FSAs are administered by P&A Group. Employees have several claim submission options:

- 1 From a Smartphone or device:** Take a picture of the receipt or documentation. Download the **P&A Group mobile app** and log in. Go to the menu and tap **Upload Claim/Documentation** to submit claims **OR** log into [ncflex.padmin.com](https://ncflex.padmin.com) from the web browser and follow the prompts.
- 2 From a computer:** Log into the P&A Account at [ncflex.padmin.com](https://ncflex.padmin.com). Go to **Member Tools > Upload Claim > New Claim**.
- 3 By fax or mail:** Go to [ncflex.padmin.com](https://ncflex.padmin.com) to access the FSA claim form. When submitting a paper claim the employee must attach an itemized, third-party receipt or the insurance company Explanation of Benefits (EOB) form.  
Fax: 877-213-8917  
Mail: Attn: NC FSA Plan  
6400 Main Street, Suite 201  
Williamsville, NY 14221

*If a claim is reimbursable by a medical, dental, or vision plan, the employee will need to file a claim with that plan first.*

## Claim Reimbursements

Claims are processed each day, with the exception of holidays. Reimbursements are issued Monday through Friday. The next business day after the claim was adjudicated a reimbursement will be issued to the bank account on file. Depending on how long the banking institution takes to process the payment, it may take an additional 2 to 4 days for the payment to appear in the participant's account. If P&A Group has the employee's e-mail address, they will automatically notify him/her when the claim is received and again when it is paid.

Employees may choose to pay for eligible health care expenses using the NCFlex Convenience Card. See *NCFlex Convenience Card* on [page 12](#) for more information.

Claim reimbursement is based on the date an employee receives eligible expenses, not the date they pay the invoice or the billing date, which must be between January 1, 2025 (the plan effective date) and December 31, 2025, provided the employee remains in the plan for all of 2025.

With the HCFSA an employee can be reimbursed for the entire claim up to their plan-year election minus any previous claim reimbursements, even if that amount has not yet been deducted from pay. **FSA reimbursements are made by direct deposit. If an employee changes banks or switches accounts, they need to notify their HBR or benefits department to avoid payment delays.**

During the plan year, claims are paid in this order:

- 2024 rollover funds are used to pay any 2024 claims, up to the March 31, 2025 claims deadline for 2024 expenses. Any remaining funds can then be used for 2025 claims.
- 2025 plan year contributions will be used for 2025 claims *before* using 2024 rollover funds.

## Termination of Employment

If an employee terminates employment or coverage during the plan year, they may submit claims for services incurred before the coverage termination date. **Services incurred after the coverage termination date cannot be reimbursed unless the employee elects to continue coverage under COBRA.** In accordance with IRS regulation, any unused money in an employee's account is forfeited and remains with the state.

## Can a Spouse Have a Health Savings Account (HSA) if an Employee Has an HCFSA?

If an employee is enrolled in the HCFSA, their spouse cannot make or receive tax-favored HSA contributions. This is because the HCFSA is available to reimburse the qualified expenses of the employee and the employee's spouse and dependents, so a spouse's contributions to an HSA would violate IRS rules.

Contributions that are made by or on behalf of an individual who is HSA-eligible are considered "excess contributions" and a 6 percent excise tax is imposed on the HSA owner for all excess contributions.

## HCFSA Worksheet

Employees can use this worksheet to calculate the amount they want to contribute to the HCFSA for out-of-pocket expenses for the upcoming plan year. The HCFSA worksheet is also available online by visiting [ncflex.org](http://ncflex.org).

**Step 1** Based on records for the past few years, fill in the anticipated eligible expenses.

- If the expense is paid by a health care plan, enter the copayment and any deductible. For members enrolled in the State Health Plan, visit [bcbsnc.com](http://bcbsnc.com) to view current and prior year expenses. Members enrolled in the NCFlex Dental or Vision Plans can visit the vendor online portals found on [ncflex.org](http://ncflex.org) to view prior year out-of-pocket costs.
- If the expense is not covered by the health care plan, enter the entire cost.

**Step 2** Add up the total annual expenses for the employee and their family (A + B + C = D).

**Step 3** Enter the amount (D) in the online enrollment system.

Cost For:	Employee	For Spouse	For Children
Medical plan deductibles	\$ _____	\$ _____	\$ _____
Medical plan copayments	\$ _____	\$ _____	\$ _____
Prescription drug copayments	\$ _____	\$ _____	\$ _____
Routine physicals/exams	\$ _____	\$ _____	\$ _____
Dental care/orthodontia	\$ _____	\$ _____	\$ _____
Vision care	\$ _____	\$ _____	\$ _____
Hearing care	\$ _____	\$ _____	\$ _____
Health services/supplies	\$ _____	\$ _____	\$ _____
Other eligible expenses	\$ _____	\$ _____	\$ _____
<b>Total Annual Health Care Expenses</b>	(A) \$ _____	+ (B) \$ _____	+ (C) \$ _____

**Annual Election (A + B + C = D) D) \$ \_\_\_\_\_**

(Enter amount D in the benefits enrollment platform)

### Example of Tax Savings When Using an FSA

Annual Savings Example	With FSA	Without FSA
Annual Income	\$50,000	\$50,000
Annual Pre-Tax FSA Contribution	- \$2,000	- \$0
Annual Taxable Income	= \$48,000	= \$50,000
Annual Tax Withholdings (approximately 30% of the annual taxable income)	\$14,400	\$15,000
<b>Total Annual Savings</b> (approximately \$300 for every \$1,000 withheld in the FSA per year)	\$600	\$0

### Tax Considerations

The HCFSA is based on current tax laws. Employees should keep in mind the following tax considerations before participating in the HCFSA:

- Plan participation may affect future Social Security retirement benefits. This could happen if an employee's taxable pay, after spending account contributions are taken out, is below the Social Security Taxable Wage Base. For most employees, the immediate tax savings is of far greater benefit than the long-term impact on Social Security benefits.
- Participation in the plan will not affect the amount employees may contribute to a 401(k), 403(b), or 457 retirement plan.
- An employee cannot claim the same expenses through the HCFSA and on their tax return. Currently, only health care expenses over 10% of adjusted gross income are deductible for income tax purposes. But with the HCFSA, employees can save taxes immediately on the very first dollar not reimbursed by the health care plan.

**Note:** Check the IRS website for the latest information. Employees should consult their tax advisor on these issues as well as whether someone qualifies as an income tax dependent.

# Dependent Day Care Flexible Spending Account



An employee **MUST ENROLL** in the DDCFSA each year.

The Dependent Day Care Flexible Spending Account (DDCFSA) offers employees a tax-free way to pay themselves back for eligible dependent care expenses throughout the year. An employee can contribute between \$120 and \$5,000 each plan year to the DDCFSA to pay for dependent day care and elder care expenses on a pre-tax basis if both the employee and their spouse works, the spouse goes to school full-time, or the spouse isn't able to care for himself or herself. The spouse may also be unemployed but actively looking for work. If the spouse works part-time, the employee's election may not exceed the lesser of the employee's annual income or their spouse's annual income. The IRS sets the maximum contribution, which is **\$5,000 per family, per year**.

## Qualifying Family Members

Eligible day care expenses may be reimbursed for:

- A "qualifying child" under age 13 for whom the employee is the legal guardian and who has the same principal residence as the employee for more than one-half of the year and does not provide more than one-half of his or her own support during the calendar year.
- A qualifying child (as defined above) of any age, spouse, or other dependent (e.g., a disabled elderly parent), who is physically or mentally incapable of caring for himself or herself and has the same principal place of residence as the employee for more than one-half of the year and who receives over one-half of his or her support from the employee. To reimburse day care received outside of the home, a disabled dependent must spend at least eight hours per day in the employee's home.

Special rules apply for divorced or separated parents with dependent children. Generally, a child must be a dependent for whom the employee can claim an income tax exemption. In other words, the employee must have legal custody of the child for over one-half of the year for day care expenses to be reimbursed through the DDCFSA.

**Note:** An employee should consult with a tax advisor if they have questions about whether someone qualifies as an income tax dependent.

**To contribute, employees must enroll in this plan each year.**

## How to Use the DDCFSA

An employee can contribute from \$120 to \$5,000 pre-tax each plan year, subject to the following legal limits:

- The \$5,000 maximum applies to all contributions an employee and their spouse make to any DDCFSA during the calendar year, whether through NCFlex or another employer.

- If an employee and their spouse file a joint income tax return, the employee may contribute up to \$5,000 for the year, regardless of the number of eligible dependents they have.
- If an employee and their working spouse file separate income tax returns, the maximum annual contribution is \$2,500.

When an expense qualifies for reimbursement, an employee can either use the NCFlex Convenience Card to pay for the expense or submit a claim with any necessary documentation to receive a tax-free reimbursement. To learn more about how to file a claim, see *How to Submit FSA Claims* on [page 7](#).

When filing a claim, the employee needs to attach a receipt that shows the amount of the charge and date of service with the dependent day care provider's tax identification number or Social Security Number.

## Claim Reimbursements

Claims are processed each day, with the exception of holidays. Reimbursements are issued Monday through Friday. The next business day after the claim was adjudicated a reimbursement will be issued to the bank account on file. Depending on how long the banking institution takes to process the payment, it may take an additional 2 to 4 days for the payment to appear in the participant's account. If the employee provides P&A Group an e-mail address, they will automatically notify him/her when the claim is received and again when it is paid.

Claim reimbursement is based on the date the dependent day care service is received, not the date the invoice is paid or the date of billing. For the 2025 plan year, expenses must be incurred January 1, 2025, through March 15, 2026, to be eligible for reimbursement. An employee has until March 31, 2026, to submit claims for reimbursement. **An employee will be reimbursed up to the available balance in their DDCFSA on the processing date. The available balance is equal to the amount the employee has actually contributed to their account (via payroll deductions) minus any previous claim reimbursements. Any unused funds will be forfeited.**

When an employee enrolls in the DDCFSA, they will receive a claims kit containing a claim form and the procedures they need to follow when filing a claim.



### NCFlex Convenience Card

An employee can use the NCFlex Convenience Card to pay for eligible dependent care expenses, up to the amount payroll deducted and available in the account.

## Eligible and Ineligible Expenses

Go to [ncflex.org](https://www.ncflex.org) for a complete listing of eligible and ineligible DDCFSA expenses, which can be found under the *Flexible Spending Account* section.

### Eligible Dependent Day Care Expenses

The employee can be reimbursed through the DDCFSA for:

- Payments to nursery schools, day care centers, or individuals who satisfy all state and local laws and regulations.
- Payments for before-school care and after-school care beginning with kindergarten and higher grades.
- Payments to relatives for care of a qualifying dependent(s); however, the relative cannot be the employee's tax dependent or child if under age 19 as of the end of the calendar year.
- Payments (in lieu of regular day care) to day camp (e.g., soccer, computers, etc.), but not overnight camps.

### Ineligible Dependent Day Care Expenses

Some common ineligible expenses include:

- Tuition expenses for education of a qualified dependent beginning with kindergarten and higher grades.
- Expenses incurred while the employee and their spouse are not working (except for short temporary absences like vacation and minor illnesses).
- Expenses for overnight camps.
- Virtual camps.
- Transportation fees.
- Prepayment for services not received while covered.
- Late payment fees.

## Plan Carefully

Employees should carefully consider their contributions to the DDCFSA. **Under IRS regulations, any money remaining in an employee's account after the deadline to submit eligible claims — March 31, 2026 — will be forfeited.**

## Termination of Employment

If an employee terminates employment or coverage during the plan year, they may submit claims for services incurred on or before the coverage termination date. Services incurred after the termination date will be reimbursed up to the balance available in the account.\* In accordance with IRS regulation, any unused money in the account is forfeited and remains with the state.

*\*Only pertains to the Dependent Day Care FSA.*

## Important Issues

If both the employee and their spouse contribute to this plan or to a similar plan where he or she works, the IRS only allows a maximum family contribution of \$5,000 per calendar year.

Keep in mind the annual election cannot be greater than either the employee's annual income or their spouse's annual income, whichever is lower.

Certain IRS rules also affect the amount that an employee may elect on a pre-tax basis:

- If an employee's spouse is a full-time student or totally disabled, they are treated as having income of \$250 a month (\$500 a month if two or more dependents receive dependent day care). If the spouse is actively looking for work, their income for the year must exceed the employee's DDCFSA annual election.
- If the employee is considered highly paid by the IRS (earning over \$120,000 in the previous plan year of 2024 and indexed for inflation in future years), the pre-tax dependent day care election may need to be adjusted based on the results of IRS discrimination tests. The employee will be notified if affected.
- An employee who is divorced or legally separated must have legal custody of the child for over half the year to participate in the DDCFSA.

## DDCFSA Worksheet

Employees can use this worksheet to identify dependent day care out-of-pocket expenses for the upcoming plan year. The DDCFSA worksheet is also available online at [ncflex.org](http://ncflex.org).

To get an idea of dependent day care expenses, an employee should review records for the past few years. Using this information, add any new types of expenses anticipated and complete the following worksheet:

### Upcoming Plan Year

Child care (children under age 13)	\$ _____
Dependent adult day care	\$ _____
Day camp (not overnight camp)	\$ _____
Cost for preschool (prior to kindergarten)	\$ _____

**Total Annual Expenses:** = \$ \_\_\_\_\_

### Annual Election

**(Enter amount in the benefits enrollment platform)** = \$ \_\_\_\_\_

## Example of Tax Savings When Using a DDCFSA

Without DDCFSA		With DDCFSA	
Gross Annual Pay	\$50,000	Gross Annual Pay	\$50,000
Tax Rate (30%)	-\$15,000	Max. Annual Dependent Care FSA Contribution	- \$5,000
Net Annual Pay	= \$35,000	Adjusted Gross Pay	= \$45,000
Annual Dependent Care Expenses	- \$5,000	Tax Rate (30%)	- \$13,500
<b>Final Take-Home Pay</b>	<b>= \$30,000</b>	<b>Final Take-Home Pay</b>	<b>= \$31,500</b>
<b>Take home this much more when a DDCFSA is used</b>			<b>\$1,500</b>

## Tax Considerations

The DDCFSA is based on current tax laws. Employees should keep in mind the following tax considerations before participating in the DDCFSA:

- An employee may prefer to use dependent day care expenses to claim a Child Care Credit when filing federal and state income tax returns.
- The law permits an employee to use the Child Care Credit or the DDCFSA but not for the same expense. (The Child Care Credit is reduced dollar-for-dollar by any amount claimed through the DDCFSA.)
- The spending account is an alternative way to save taxes for employees who may prefer not to file for the Child Care Credit or who would receive greater tax savings through the DDCFSA.



Use card for eligible  
HCFSA and DDCFSA  
expenses.

# NCFlex Convenience Card

Employees who enroll in the HCFSA or DDCFSA will automatically receive one NCFlex Convenience Card to use for either or both accounts, at no cost.

If an employee is new to the plan and this is the first time they receive a card, the card will automatically be activated upon first use.

## How It Works

The NCFlex Convenience Card automatically checks the employee's account for available funds. Anytime an employee incurs an eligible HCFSA or DDCFSA expense with a vendor that accepts credit cards, they can swipe the NCFlex Convenience Card at the point-of-service and the expense will be deducted from the employee's account. **Note: DDCFSA elections are available on the card as payroll deductions occur.**

In some situations, the employee may have to pay out of pocket for eligible expenses and submit a claim to P&A Group when there are not enough DDCFSA funds available on the card. Employees can check their account balance at anytime by logging into their P&A account at [ncflex.padmin.com](https://ncflex.padmin.com) or the **P&A Group mobile app**, or by calling the number on the card.

- As a reminder, the IRS may require P&A to obtain a receipt or documentation to process certain convenience card transactions and to ensure the card is being used for eligible expenses only. Employees may be asked to provide additional documentation of a purchase, so they need to keep their receipts.
- **If an employee does not submit requested receipts/ documentation within 40 days of the transaction date, their card will be turned off (or blocked) automatically and future claims may be used to offset the transaction.**

## Claim Submission Methods

If a provider doesn't accept debit or credit cards please review *How to Submit Claims* in the HCFSA section of this guide on [page 7](#).

## How to Sign up

If this is an employee's first time enrolling in the HCFSA or DDCFSA, they will receive a card in the mail after enrolling. The NCFlex Convenience Card is automatically activated upon first use.

Remember, cards are good through the expiration date on the card and will NOT be automatically re-issued each January. If an employee already has an NCFlex Convenience Card, they should not throw it away! An employee's HCFSA annual election amount will be loaded onto the existing card each new plan year. The DDCFSA election will be loaded in equal amounts upon each payroll deduction.

## Additional Cards

Employees may order additional cards for themselves, their spouse, or dependents (over 18 years of age) free of charge. Employees can order additional cards by logging into their account at [ncflex.padmin.com](https://ncflex.padmin.com) or the **P&A Group mobile app**, or by calling **866-916-3475**.

## How to Check the Account Balance

An employee can view their account balance directly from a smart phone, mobile device, or computer by going to [ncflex.padmin.com](https://ncflex.padmin.com) or the **P&A Group mobile app**, and logging into their account to access up-to-date account information. Employees can check a balance over the phone by calling P&A Group's customer service team at **866-916-3475** to speak with a representative.

An employee can also sign up to receive account balance information via text message. The employee should update their online P&A Account profile at [ncflex.padmin.com](https://ncflex.padmin.com) with their mobile number. Once the profile is updated, the employee can text the word BAL to the number 70626 to receive a text message with account balance information anytime, anywhere.