

Unreimbursed Medical (URM)

Questions & Answers

1. *What is an Unreimbursed Medical Flexible Benefit Plan?*

A program made available by City of Modesto that lets you set aside a certain amount of your paycheck into an account before paying income taxes. Then, during the plan year, you can be reimbursed from your account for qualified healthcare expenses.

2. *Why should I participate in an Unreimbursed Medical plan when I already have health insurance?*

This account is used to pay for your own medical expenses not covered by insurance, as well as those of your dependents. For example: co-payments, deductibles, orthodontics, prescription drugs, and hospital care to name a few. These expenses that are reimbursed from your account are all paid with your “pre-tax” dollars.

3. *How much money can I contribute to my Unreimbursed Medical Account?*

The minimum contribution to an Unreimbursed Medical account is \$150 and the maximum is \$2,000. You must carefully determine your annual election amount by anticipating your spending during the plan year.

4. *What is the plan year?*

The plan year will run in conjunction with your health plan year. The plan year is January 1 through December 31.

5. *Can I change my contribution during the year?*

The laws governing Unreimbursed Medical plans generally do not allow you to change the terms of your contribution (election) during a plan year. There are, however a few exceptions to this rule. You may change your benefit elections if there is a change in your status. These changes are limited to: the marriage or divorce of the participant; the adoption, birth, or death of a child or other Dependent of the participant or the participant’s spouse; the emancipation or coming of age of a child of the participant so that the child is no longer eligible as a dependent under the plan; the employment of the participant or participant’s spouse; the participant beginning or ending adoption proceedings, or; Medicare or Medicaid entitlement.

6. *What if I don’t use all of the money I set aside in my account?*

Carefully review your estimated expenses before making the decision to participate. According to IRS regulations, the money you set aside must be used for expenses incurred during the plan year in which you make the election. Any funds left in the account at the end of the plan year will be forfeited.

7. *I went to the doctor on Dec 31, 2009. The doctor's office did not bill me until January 5, 2010. Can I use this as an eligible expense for reimbursement?*

In order for an expense to be eligible for reimbursement it must be incurred during the plan year. This means that you must have received services, such as having the doctor visit, on a date during the plan year. Since you saw the doctor on December 31, 2009 and the plan year does not start until January 1, 2010, the office visit would not be eligible for reimbursement, even if the invoice was dated January 5, 2010. Eligibility for reimbursement is based on the date of service, not on the date of billing or the date you paid the bill.

8. *What if my child needs braces? She receives treatments for the next 3 years and a payment arrangement is set up. What plan year does this qualify for?*

Orthodontia claims are unique because expenses typically are incurred as a two step process: a banding fee when braces are first put on, and then a monthly service fee for the duration of the treatment. Only services received in the plan year will be reimbursable. For example, if the total cost of the orthodontia is \$4000, of which the banding is \$1000, then your monthly service fee would be \$3000 over 3 years, or \$83.33 per month. If there are 6 months in the plan year, you would be eligible for reimbursement for the \$1000 banding (assuming that the bands are put on during the plan year), plus the 6 months of service fees equaling \$500. Assuming that you elect to participate in the URM program the following year and your child is still receiving orthodontic treatment in that following year, your service fees for that treatment would be reimbursable expenses in that next plan year. For further clarification, please contact the contract administrator, ASI, at 866-333-1321.

9. *How will this be taken out of my check?*

If you decide to enroll in an Unreimbursed Medical (URM) account, the amount you have allocated will be divided up and taken out of each paycheck – before taxes – in equal installments throughout the plan year.

10. *Is there a fee for my Unreimbursed Medical account?*

Yes. ASI, the contract Administrator, charges \$3.50 per month (or \$1.62 per pay period) for the administration of your account. This fee will be deducted from your paycheck before taxes.

11. *How does this monthly fee get paid to ASI?*

The \$1.62 fee is not a part of your plan year URM election amount. The fee will not show on your account statement. The fee is deducted from your paycheck and sent in with your election amount, bi-weekly. ASI will account for this fee separately.

12. *What if I am not covered under City of Modesto's health insurance plan?*

Good news! You and your family can still participate in the Unreimbursed Medical accounts.

13. *How do I get reimbursed for my expenses?*

Once you have completed an enrollment form, you will receive a claim form and instructions on how to file your claim. Simply complete the form, attach a copy of the healthcare bill or receipt, and mail or fax the form to ASI. ASI contact information is:

ASI Administrative Solutions
PO Box 5809
Fresno, CA 93755
Toll Free Phone (866) 777-1320
Toll Free Fax (866) 333-1321

14. *How long does it take to get my reimbursement once I send in a claim?*

Once you send in your receipt, the administrator (ASI) will process the claim within 24 hours. ASI sends reimbursement checks every Friday. If you choose the direct deposit election, the reimbursement will be deposited to your bank account on the following Monday.

15. *How do I know how much is available in my account?*

Each time you are reimbursed, you will receive a statement along with your reimbursement that shows the dollar amount you have been paid to date and your available balance.

16. *Do I have to wait for the money to be deposited in my account in order to make a claim for reimbursement?*

The Plan is required to reimburse you any qualified expenses that you incur, up to the maximum amount that you elected, at any time during the plan year. For example, assume that you have elected to establish an Unreimbursed Medical account of \$600 for the plan year, at \$23 per pay period. During the first month, when there is only \$23 in your account, you have qualified medical expenses of \$300. The Plan must reimburse you the full \$300 at that time.

17. *It's a week after the plan year end date and I forgot to turn in receipts from "qualified expenses" I incurred during the plan year. Can I still get reimbursed?*

Yes, you have 90 days from the end of the plan year to submit receipts for expenses you incurred during the plan year.

18. *What happens to my account if I terminate my employment?*

If you still have funds in your account, you may elect COBRA and continue paying your election amount throughout the plan year (on an after-tax basis). You can then receive reimbursement for expenses as usual. If you have funds in your account and you choose not to continue to pay via COBRA, then you have 90 days to submit claims for any qualified medical expense which you incurred up to your separation date.

19. *What happens to my account if I am on leave without pay?*

Once an employee does not receive a paycheck and the bi-weekly deduction amount can not be made, the account freezes as if the employee were terminated. The employee can choose not to make any further contributions. When they return to work, they may re-elect a new amount, or continue with the prior election by catching up all back contribution amounts. The employee may also continue their contributions during their leave by sending in their contribution amounts (post tax) directly to the administrator, and continue with the program uninterrupted.

20. *How do I benefit from participating?*

Your biggest advantage is the tax savings. Every dollar you set aside in your account reduces your income taxes, and you can be reimbursed for qualified expenses that you are already paying for!

21. *Are there any negatives that I should know about?*

Yes. Once you have elected to defer money to this program, you cannot change that election during that plan year. **Any money left over at the end of the plan year is forfeited.** Therefore, it is very important that you determine as accurately as possible how much you wish to defer via payroll deduction to your Unreimbursed Medical account.

22. *Can I contribute to an Unreimbursed Medical account (URM) and a Health Savings Account (HSA) in the same year?*

No, you can not be in both an URM arrangement and a HSA with the City, however, you can participant in a Limited Expense Unreimbursed Medical Account (LEX URM) and HSA in the same year. Please reference Q&A for LEX URM.

**This document is intended for informational purposes only. Please consult your tax professional for clarification.*