



***Bene-Flex Hawaii, Inc.***

*Cafeteria Plan Administrator*

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# What is a Cafeteria Plan?

It is a plan approved by the IRS to help you save more payroll taxes by paying for certain qualified expenses with a pre-tax dollar. The one and only advantage of a Cafeteria plan is to save you, the employee, money. It is not a new medical plan or any other type of insurance plan/policy. It is a new way for you to pay for your current medical/dental/vision/drug and child care expenses. The eligible expenses are paid thru an account fund with a pre-tax salary/wage contribution that will be deducted from your paycheck each pay period. **The Cafeteria plan reduces your taxable income because the amount you contribute, from which your reimbursements are made, is taken out of your gross income before your payroll taxes are calculated. Therefore you will pay less Federal, State, Social Security and Medicare taxes.**

Your employer and Bene-Flex Hawaii, Inc. want you to have as much information as you need to maximize your tax savings benefits through a Cafeteria plan. The materials contained herewithin serve as a brief summary of your election options and other important plan provisions. There is also a legal plan document containing the full legal plan provisions which can be made available to you at any time in your employer's personal office.

Enrollment in your Cafeteria plan is totally voluntary and you have the choice to enroll in one or more of the following options:

- 1- Health Insurance premiums
- 2- Supplemental Insurance premiums
- 3-Dependent/Child care account (DDC)
- 4-Health Care expense Reimbursement account (URM)

The Health Insurance option provides you with the opportunity to pay for your Medical/Dental/ Vision & Drug insurance (ie: HMSA, Kaiser) with a pre-tax dollar. Also eligible are the Supplemental products you may have purchased from one of the national carriers for items such as Cancer insurance, AD&D & Group term life insurance.

**The dependent care option will be covered on page 3.**

The Health Care Expense Reimbursement option complements your group health care benefits. Your health insurance usually pays for the basic expenses related to an illness or injury, however there are still some out-of-pocket expenses which it does not cover. Examples of these items can be found on pages 3 - 5. In order to participate in a Cafeteria plan an employee must have completed at least a certain number of month(s) of service on a full or regular part-time basis as determined by your employer.

## **Dependent/Child Care:**

The dependent/child care option provides a tax savings opportunity if you have dependent/child care expenses which enable you & your spouse, if you are married, to work or attend school on a full-time basis. These expenses can be paid out of the Dependent/Child care account. Your election and amount for this category can be changed as you make changes to your child's care throughout the year. However, you must notify Bene-Flex Hawaii, Inc in advance of any change to your election.

Qualified dependents include any child under the age of 13 or anyone who is physically or mentally unable to care for his/her self. You must claim this person on your income tax return as a legal dependent and they must spend at least 8 hours per day in your household.

If you are married, reimbursements from your dependent/child care account can only be made if one of the following conditions occurs: both you and your spouse are working, your spouse is disabled or your spouse is a full-time student.

**There is a maximum annual contribution of \$5,000.00 set by the IRS per household (married filing a joint return, single or divorced).**

The reimbursement from your dependent care account cannot be made beyond the balance of your account. If your request exceeds the account balance, the reimbursements will only be made as additional contributions are received. These reimbursements will then be made automatically.

The following is a list of dependent/child care services that the IRS defines as eligible:

Payments to nursery, preschools, day care centers, after and before school care, summer programs, intercession care. **These services must be non-educational in nature and you must be able to provide the Federal tax ID # of your provider.** Any sports, boating, yachting, swimming, foreign language and musical classes are **ineligible** for reimbursement.

The law also provides for payments made to individuals excluding your dependents and your children under age 19 who provide care for dependent adults and payment for household services related to the care of a dependent adult.

## **Over-the-Counter (OTC) Items**

Acid reducers	Ear/Eye medication
Acne medication	Gas Relief drops
Antacids: liquid, tablets	Hemorrhoid relief
Anti-diarrhea medications	Itch Relief
Antifungal treatments	Laxatives
Antiseptics: ointments, washes	Lice control
Asthma Inhalers	Medical Equipment ie: thermometers, blood pressure machines
Bandages, gauze, tape	Pregnancy test, ovulation kits
Decongestants	Nasal Sprays (non saline),
Benzocaine	Orajel
Cold, Flu, Allergy Medications	Pain Relief
Cold Sore, fever blister treatments	Sinus Medications
Condoms	Sleeping aids
Cough Suppressants, syrups	Vapor patches, rubs
Diabetes supplies, test strips, meters	Wart Removal

**Most all Medical/drug/vision OTCs will be allowed under the IRS Notation 2020-29. Effective January 1, 2020**

**This period is considered your probation period. An employee who is eligible and wishes to participate in the Cafeteria plan must submit an enrollment form during the next open enrollment period following their completion of the set probationary period.**

### **Contributions:**

When you enroll in the plan you must elect a total dollar amount by category for the entire plan year. Your amount is then deducted equally from each of your gross paychecks. The maximum contribution amount you choose for your Medical Expense account may be subject to a schedule of contributions provided by your employer or your plan document.

**Your contributions are elected from each plan year just prior to the start of the plan year and cannot be changed until the following plan year or unless you qualify for a Family Life Status Change, please see below. In filing out your**

contribution election form you should consider estimating your health care expenses for the entire plan year.

**Changing your Contribution Amount:**

Once your contribution amount is set at enrollment, it can only be changed under certain circumstances/exceptions. These circumstances/exceptions are referred to as Family Life Status Changes and they are as follows:

- Marriage or Divorce
- Birth or Adoption of a qualified dependent
- Death of your spouse or qualified dependent
- Change in the employment of your spouse
- Significant changes to your spouse's or your health insurance

The above changes will allow you to make the necessary changes that otherwise would only be allowed during the annual open enrollment. To make the changes please notify your employer contact person and fill out a new contribution election form. Your employer will notify Bene-Flex Hawaii, Inc.

**Requesting Reimbursement:**

To request a reimbursement from your Medical or Dependent care expense account, simply complete an expense voucher attaching your supporting documentation and mail it directly to Bene-Flex Hawaii, Inc. Your supporting documentation can be any of the following: Insurance Explanation of Benefits (EOB), company statement, doctor's billing or receipt. **Please be sure that your supporting documentation shows all of following information: date of service, services rendered, person's name for whom the expense is for, amount paid, providers name & address as well as insurance if applicable.**

You may request reimbursement from your Medical Expense account for any amount incurred during the plan year up to the annual contribution amount at any time during the plan year. For example, if your annual amount is \$1,200.00 and during the second month of the plan year you submit a request for the entire \$1,200.00 even though you only have \$200.00 physically in your account we are required by law to reimburse you up to your annual election amount.

Your dependent care account works a bit differently in that you can only be reimbursed, once services have been rendered, you have paid in full and the funds have been deposited with us by your employer. Therefore you cannot advance draw from your dependent care account

All claims must meet the minimum reimbursement amount of \$25.00 unless your annual remaining amount is less than \$25.00.

**Separation from Employment:**

A participant whose employment terminates during the plan year is only allowed to incur the expenses up to the effective date of separation. Any expenses

incurred after that date are not eligible for reimbursement without a COBRA election.

**Other Rights & Benefits:**

The rights of employees to benefits under this plan are intended to be legally enforceable, but neither the establishment of this plan nor any amendment thereof will be construed as granting to any persons (including any provider of services) any legal or equitable right against your employer. This plan shall be maintained for the exclusive benefit of the employees.

Your employer intends to continue this plan as long as the salary reduction contributions are withheld from your gross income. The continuance of the plan is purely voluntary on your employer's part, however, they reserve the right to terminate or amend the plan at any time. If the plan is terminated, you can still be reimbursed for eligible expenses you incurred during the plan year until all of your contributions have been utilized.

The foregoing information is a summary which gives you a brief description of this plan. If this description and the actual provision of the plan are inconsistent, the plan document will govern and prevail.

**EXAMPLES OF EXPENSES ELIGIBLE FOR REIMBURSEMENT WITHIN YOUR CAFETERIA PLAN**

**Acupuncture/Shiatsu**

**Ambulance**

**Artificial Teeth**

**Birth Control pills**

**Braces**

**Braille - Books & Magazines**

**Car controls for the handicapped**

**Care for mentally handicapped child**

**Orthopedic Shoes & other devices**

**Chiropractors**

**Christian Science pract.s' fees**

**LASIK**

**Hospitalization**

**Medical svcs & clinical care**

**Mentally handicapped persons' home cost**

**Nurse's fees: including board**

**Hearing devices & batteries**

**Operations**

**Obstetrical expenses**

**Oxygen**

**Physician fees**

**Dentures**

<b>Copayments (Medical/Dental/Vision)</b>	<b>Dental Fees</b>
<b>Physician recommended items w/letter of medical necessity</b>	
<b>Contact lenses, solution/cleaners</b>	<b>Diagnostic fees</b>
<b>Physician - recommended weight loss</b>	<b>Cost of operations &amp; Related Treatments</b>
<b>Psychiatric care, Psychologist</b>	<b>Laboratory fees</b>
<b>Routine physicals and other non-diagnostic services or treatments</b>	
<b>Seeing-eye dog and its maintenance</b>	<b>Special education for the blind</b>
<b>Drug/medical supplies by prescription</b>	<b>Sterilization fees</b>
<b>Eyeglasses, eye exams</b>	<b>Surgical fees</b>
<b>Fee of practical nurse</b>	<b>Wheelchair &amp; maintenance</b>
<b>Special plumbing for the handicapped</b>	<b>Wigs (for medical reasons)</b>
<b>Fees for healing services</b>	<b>X-rays</b>
<b>Hair transplants (non cosmetic)</b>	<b>Hospital bills</b>
<b>Handicapped persons' special schools</b>	<b>Insulin &amp; supplies</b>
<b>Telephone: special for hearing impaired</b>	
<b>Television audio display equipment for the hearing impaired</b>	
<b>Therapeutic care for drug and alcohol addiction</b>	
<b>Therapy treatments/Naturopathy</b>	<b>Crutches</b>
<b>Transportation expenses primarily in the rendering of medical svcs</b>	
<b>University or private school breakdown of medical charges</b>	