2021 State of New Jersey • Tax$ave

Flexible Spending Account (FSA)

Essential Guide

For more information, visit **HorizonBlue.com**

Horizon

2021 Essential Guide

Start Saving. Here's How.

A Flexible Spending Account (FSA) is an account you set up for your anticipated eligible medical services, medical supplies and dependent care expenses not normally covered by your insurance. You can choose either, or both, an Unreimbursed Medical FSA and a Dependent Care FSA.

With either FSA, you benefit from having less taxable income in each of your paychecks, which means more spendable income to use toward your eligible medical and dependent care expenses.

Once you decide how much to contribute to your Unreimbursed Medical and/or Dependent Care FSA, the funds are deducted in equal amounts from your paychecks during the plan year. Before signing up for an FSA, review this reference guide to understand how FSAs can save you and your family a significant amount of tax money.

Important Dates to Remember

- Your Open Enrollment dates are: **October 1-31, 2020**
- Your Period of Coverage dates are: **January 1, 2021** through **December 31, 2021**

Have questions? We're here to help.

Customer Service
The Horizon *MyWay* customer service team is available from 8 a.m. to 9 p.m., Eastern Time (ET), to answer your questions. You can reach our automated service 24 hours a day by calling **1-888-215-0025**. Account information and helpful resources are available at **HorizonBlue.com**.

Written Inquiries
Mail to: Horizon *MyWay*, P.O. Box 982814, El Paso, TX 79998-2814

Lost or Stolen Card
Contact Customer Service at **1-888-215-0025**, Monday through Friday, from 8 a.m. to 9 p.m., ET.

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Welcome to Horizon *MyWay*

The State of New Jersey is pleased to work with Horizon Blue Cross Blue Shield of New Jersey (Horizon BCBSNJ) in the administration of your FSA(s) through Horizon *MyWay*.

With Horizon *MyWay*, you'll get 24/7 support:

- **Easy-to-Use Portal** – Enjoy a simple user experience when you sign in.
- **Mobile App** – Manage your account from the palm of your hand with the **Horizon Blue** app.
- **Expert Assistance** – Enjoy access to a dedicated team of experts every step of the way.

Enrolling is easy:

- Visit **HorizonBlue.com/enrollfsa** and enter your date of birth and social security number. Then click *Enter* to access our online enrollment tool.
- You can also enroll by calling **1-866-999-3531**.

Remember

You will have to enroll for Plan Year 2021 during Open Enrollment, which is October 1-31, 2020.

Have questions? We're here to help.

If you have any questions or concerns, you can talk to a trained expert to learn more about the program. Just call **1-888-215-0025**, Monday through Friday, from 8 a.m. to 9 p.m., ET.

Enrollment at a Glance

For New Hires

Important Enrollment Information

New employees must complete an enrollment form within 30 days of their hire date to participate in either the Unreimbursed Medical FSA or the Dependent Care FSA.

Eligibility:

- There is a 30-day waiting period for Dependent Care eligibility.
- There is a 60-day waiting period for Unreimbursed Medical Plan eligibility.
- The effective date will be the first day of the month following eligibility. If you miss New Hire Enrollment, you must wait for Open Enrollment.
- 10-month State college or university employees with a start date of September 1, 2020 are assumed to have had their waiting period begin July 1, 2020. Therefore, the effective date for both the Unreimbursed Medical Plan and Dependent Care Program is September 1, 2020.
- 10-month State college or university employees with any start date other than September 1, 2020 follow the same 30- and 60-day waiting periods as outlined previously for all other employees.

For Open Enrollment

Important Enrollment Information

All enrollment requests for Plan Year 2021 must be submitted by October 31, 2020.

For more information, visit **HorizonBlue.com/enrollfsa** or contact Customer Service at **1-888-215-0025**, Monday through Friday, from 8 a.m. to 9 p.m., ET.

Enrollment will be available:

- On the web at **HorizonBlue.com/enrollfsa**
- By calling **1-866-999-3531**
- By completing an Enrollment Form and

  Faxing to: **1-866-231-0214**

  Mailing to: Horizon *MyWay*
  P.O. Box 982814
  El Paso, TX 79998-2814

Tax$ave FSA initial election year example:

Date of employment: 7/3/20
Enrollment form submitted: 8/2/20 (last day to enroll)

Election:	$2,500 Medical Expense Plan $5,000 Dependent Care Plan
Effective date:	10/1/20 Medical Expense Plan – must incur expenses 10/1/20 – 3/15/21 9/1/20 Dependent Care – must incur expenses 9/1/20 – 3/15/21
Medical Plan Payroll deductions:	$2,500/6 pay periods = $416.66 per pay period
Dependent Care Payroll deductions:	$5,000/8 pay periods = $625 per pay period

	Medical	Dependent	Total Payroll Deduction
9/20/20	$0.00	$625	$625
10/4/20	$0.00	$625	$625
10/18/20	$416.66	$625	$1,041.66
11/01/20	$416.66	$625	$1,041.66
11/15/20	$416.66	$625	$1,041.66
11/29/20	$416.66	$625	$1,041.66
12/13/20	$416.66	$625	$1,041.66
12/27/20	$416.66	$625	$1,041.66

Enrollment at a Glance

Important Dates to Remember

	Name	Dates	Activities
2020	Open Enrollment for Plan Year 2021	October 1, 2020 through October 31, 2020	All new participants must enroll and continuing participants must re-enroll each year.
2021	Grace period for Plan Year 2020	January 1, 2021 through March 15, 2021	Participants may incur Plan Year 2020 expenses during these limited dates in calendar year 2021 and pay for them with Plan Year 2020 fund balance. First in/First out: All claims/card claims/card transactions submitted during the Plan Year 2020 Grace Period will be paid out of remaining Plan Year 2020 balance until exhausted. All 2020 claims must be filed with WageWorks not Horizon.
	Run out period for Plan Year 2020	January 1, 2021 through April 30, 2021	Last chance to submit reimbursement requests for Plan Year 2020 expenses incurred between January 1, 2020 and March 15, 2021. All 2020 claims must be filed with WageWorks not Horizon.
	Plan Year 2021	January 1, 2021 through December 2021	Use your Horizon *MyWay* Visa Debit Card or file a paper claim. Watch service dates on Plan Year 2020 grace period card transactions. Once the 2020 account balance is exhausted, claims **will** be paid out of 2021 funds and the service dates **must** be in 2021.
2022	Grace period for Plan Year 2021	January 1, 2022 through March 15, 2022	Participants may incur Plan Year 2021 expenses during these limited dates in calendar year 2022 and pay for them with Plan Year 2021 fund balance. First in/First out: All claims/card claims/card transactions submitted during the Plan Year 2021 Grace Period will be paid out of remaining Plan Year 2021 balance until exhausted.
	Run out period for Plan Year 2021	January 1, 2022 through April 30, 2022	Last chance to submit reimbursement requests for Plan Year 2021 expenses incurred between January 1, 2021 and March 15, 2022.

Additional information about the State of New Jersey Tax$ave Program can be found in the Tax$ave Fact Sheet, which is available on the New Jersey Division of Pension & Benefits website at **nj.gov/treasury/pensions** by clicking the *Publications* drop-down menu at the top of the page and choosing *Fact Sheets*.

Flexible Spending Accounts

You can manage and check your account through your Horizon *MyWay* account or over the phone. The online *Statement of Activity* page details all of your account activity and will even alert you if any card transactions are in need of verification. For the latest information, visit **HorizonBlue.com** and sign in to your account 24/7.
In addition to reviewing your most recent account activity, you can:

- Update your account preferences.
- View your transaction and account history for current and past plan years.
- Check the complete list of eligible medical expenses at **HorizonBlue.com/expenses.**
- Order additional Horizon *MyWay* Visa Debit Cards for your family.
- Manage your account while on the go.

Horizon Blue app

The **Horizon Blue** app offers members a range of tools to manage their health spending and savings accounts. Download the free **Horizon Blue** app by texting **GetApp** to **422-272** or visit the App Store® or Google Play.

FSA Eligibility

Unreimbursed Medical and Dependent Care FSAs are available to State employees through the State Employees Tax Savings Program, Tax$ave, a benefit program available under Section 125 of the Federal Internal Revenue Code.

An eligible employee is any employee of the State, a State college or university or other State agency who is eligible to participate in the State Health Benefits Program, except those part-time employees made eligible under P.L. 2003, c. 172.

Additional information about Tax$ave and the State Health Benefits Program is available from your employer or by contacting the New Jersey Division of Pensions & Benefits.

Your Unreimbursed Medical FSA may be used to reimburse eligible expenses incurred by yourself, your spouse, your qualifying child or adult child or your qualifying relative. You may use your Dependent Care Flexible Spending Account to receive reimbursement for eligible dependent care expenses for qualifying individuals under 13; eligibility ends on the child's 13th birthday.

There is no age requirement for a qualifying child if they are physically and/or mentally incapable of self-care. An eligible child of divorced parents is treated as a dependent of both, so either or both parents can establish an Unreimbursed Medical FSA. Only the custodial parent of divorced or legally separated parents can be reimbursed using the Dependent Care FSA.

Civil Union and Domestic Partnerships

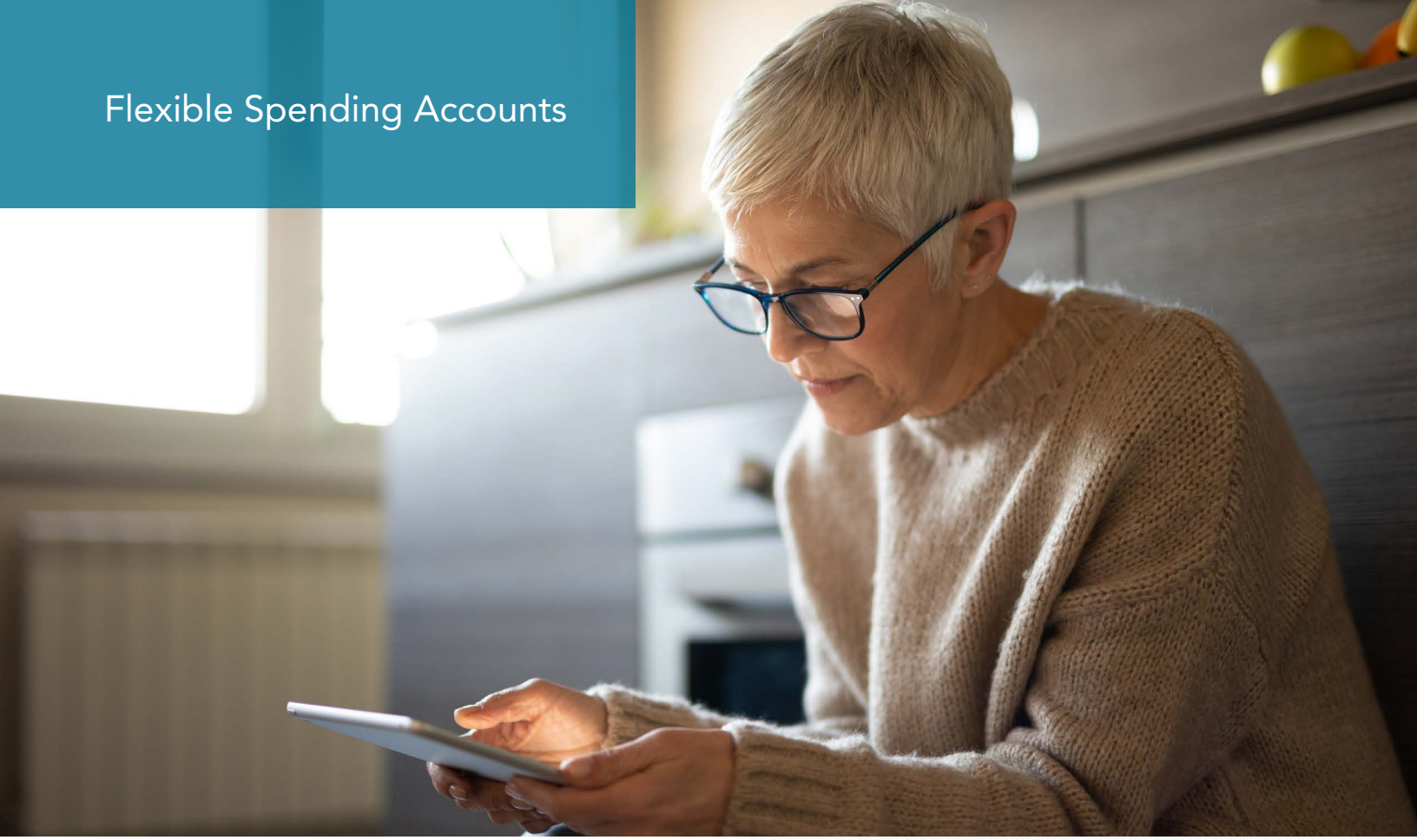
The Internal Revenue Service (IRS) recognizes a marriage of same-sex spouses for federal tax purposes, including the tax saving benefits available through Tax$ave.

The IRS does not recognize New Jersey civil union partners or same-sex domestic partners as dependents for tax purposes in the same way it recognizes a spouse or the dependent children of an employee. As a result, a civil union partner or same-sex domestic partner must be able to qualify as a "tax dependent" of the employee for federal tax filing purposes — under Internal Revenue Code Section 152 — before an out-of-pocket medical expense incurred by the partner can be reimbursed under the Unreimbursed Medical FSA or Dependent Care FSA. The same applies to receiving the benefit of paying premiums on a pre-tax basis.

How does termination or leave affect my FSA?

Termination of FSA benefits typically occurs on the last day of the month in which employment is terminated unless the participant enrolls in COBRA for FSA. However, if you terminate employment or go on unpaid leave, your eligibility for either or both FSAs may change. While your Dependent Care FSA cannot be continued following termination or the start of unpaid leave, you may be able to change or continue your Unreimbursed Medical FSA election upon completion of the appropriate forms and requirements. To begin the process for this change or to continue coverage, contact Customer Service within 30 days of the event by calling **1-888-215-0025**.

Specific guidelines about your employer's termination and leave policies can be obtained from your employer. In addition, the Family and Medical Leave Act (FMLA) may affect your rights to continue coverage while on leave. Please contact your employer for further information.



FSA Fund Availability

"Use-It-Or-Lose-It" Rule

Be conservative in estimating your annual contribution since any money remaining in your accounts cannot be returned to you or carried forward to the next plan year. This is based on the Use-It-Or-Lose-It Rule for Section 125 Cafeteria Plans, including Flexible Spending Accounts.

For Unreimbursed Medical FSA

The maximum annual amount of reimbursement for eligible health care expenses is available throughout your period of coverage, so you don't have to wait for the cash to accumulate in your account.

For Dependent Care FSA

The funds available to you depend on the actual funds in your account. Unlike an Unreimbursed Medical FSA, the entire maximum annual amount is not available until after your payroll deductions are received.

Annual Contribution Limits

For Unreimbursed Medical FSA:

Minimum Annual Deposit $100
Maximum Annual Deposit $2,500

For Dependent Care FSA:

Minimum Annual Deposit $250
The maximum contribution depends on your tax filing status.

- If you are married and filing separately, your maximum annual deposit is $2,500.
- If you are single and head of household, your maximum annual deposit is $5,000.
- If you are married and filing jointly, your maximum annual deposit is $5,000.
- If either you or your spouse earn less than $5,000 a year, your maximum annual deposit is equal to the lower of the two incomes.
- If your spouse is a full-time student or incapable of self-care, your maximum annual deposit is $3,000 per year for one dependent and $5,000 per year for two or more dependents.

Flexible Spending Accounts

Unreimbursed Medical FSA

An Unreimbursed Medical FSA is used to pay for eligible medical expenses which aren't covered by your insurance or other plan. These expenses can be incurred by yourself, your spouse or a qualifying child or relative.

Dependent Care FSA

The Dependent Care FSA is a great way to pay for eligible dependent care expenses such as after-school care, summer day camp, babysitting fees, daycare services, nursery school and preschool. Eligible dependents include your qualifying child, spouse and/or relative.

Typical FSA-Eligible Expenses

Use your FSA to save on hundreds of products and services for you and your family. Eligible expenses are defined by the IRS and your employer.

Eligible Medical Expenses

Typically, your medical expense FSA covers:

Acupuncture
Birth control pills and devices
Chiropractic care
Dental fees and orthodontic treatment
Diagnostic tests/health screenings
Doctor fees
Drug addiction/alcoholism treatment
Eyeglasses and contact lenses (corrective)
Feminine care products (New!)
Hearing aids and exams
Over-the-counter medications (New!)
Prescription medications
Weight-loss programs/meetings

Access a searchable list of all eligible medical expenses at **HorizonBlue.com/expenses.**

Eligible Dependent Care Expenses

Your dependent care FSA typically covers:

Licensed day care facilities
Preschool programs
After-school programs
In-home child and dependent care services
Elder care
(NOTE: Dependent care expenses for tax dependents over the age of 13 require proof of medical necessity.)
Special day camp expenses

Access a list of eligible and ineligible dependent care expenses at **HorizonBlue.com/dependentcare.**

FSA Savings Example*

By using an FSA to pay for anticipated recurring expenses, you convert the money you save in taxes to additional spendable income. That's a potential annual savings of $491.25 in this example!

	With FSA	Without FSA
Annual Gross Income	$31,000.00	$31,000.00
FSA Deposit for Eligible Expenses	- 2,500.00	- 0.00
Taxable Gross Income	$28,500.00	$31,000.00
Federal, Social Security Taxes	- 5,600.25	- 6,091.50
Annual Net Income	$22,899.75	$24,908.50
Cost of Eligible Expenses	- 0.00	- 2,500.00
Spendable Income	$22,899.75	$22,408.50

NOTE: Budget conservatively. No reimbursement or refund of medical expense FSA funds is available for services that do not occur within your plan year and grace period.
*Based upon a 19.65% graduated tax rate (12% federal and 7.65% Social Security, married with zero allowances) calculated on a calendar year.

Typical FSA-Ineligible Expenses

For Medical Expense FSA:

- Insurance premiums
- Vision warranties and service contracts
- Cosmetic surgery not deemed medically necessary to alleviate, mitigate or prevent a medical condition

For Dependent Care FSA:

- Overnight camp
- Kindergarten tuition
- Lunches and food items
- Education programs
- Activity fees

Flexible Spending Accounts

Over-the-Counter (OTC) Expenses

- The IRS requires that a merchant-generated receipt or statement be provided as supporting documentation for each item purchased. The receipt or statement must include the date of purchase, name of the OTC item and the amount paid (not handwritten).
- The item must be purchased in a reasonable quantity with the intent that it will be used within the current calendar year.
- OTC expenses that have both a cosmetic/general health use and a medical use will require a Letter of Medical Necessity (F9090) signed by your health care provider.

Vision Services

- If you have a vision benefit plan, the provider receipt must indicate the vision benefit or discount (not handwritten or an estimate).
- If the expense is covered by your insurance plan, include a copy of the Explanation of Benefits (EOB) from your vision benefit.

Dental Services

- The documentation submitted with your claim must indicate when the service was received, not billed.
- Balance forward or account payment statements will not be accepted as documentation.
- If the provider statement indicates an estimate of coverage submitted to the dental plan or payment pending, include a copy of the Explanation of Benefits (EOB) from your dental plan.

Orthodontia Services

Orthodontic treatment designed to treat a specific medical condition is reimbursable through your Unreimbursed Medical FSA if the proper documentation is provided. For fastest processing, submit a claim along with:

- A written statement, bill or invoice from the treating dentist/orthodontist showing the type and date the service was incurred, the name of the eligible individual receiving the service and the cost for the service
- A copy of the patient's contract with the dentist/orthodontist for the orthodontia treatment (only required if a participant requests reimbursement for the total program cost spread over a period of time)

Reimbursement of the full or initial payment amount may only occur during the plan year in which the braces are first installed. For reimbursement options available under your employer's plan, including care that extends beyond one or more plan years, refer to the information provided following your enrollment, or call Customer Service at **1-888-215-0025**.

You must keep your documentation for a minimum of one year to submit upon request.

Appeal Process

If you have a request for a mid-plan year election change, FSA reimbursement claim or other similar request denied, in full or in part, you have the right to appeal the decision by sending a written request within 30 days of the denial for review to:

Sheila Birmingham
Plan Administrator, Tax$ave
N.J. Division of Pensions & Benefits
P.O. Box 295
Trenton, NJ 08625-0295

Your appeal must include the date of the services, why you think your request should not have been denied and any additional documents, information or comments you think may have a bearing on your appeal.

Your appeal and supporting documentation will be reviewed upon receipt. You will be notified of the results within 30 business days from receipt of your appeal. In unusual cases, such as when appeals require additional documentation, the review may take longer than 30 business days. If your appeal is approved, additional processing time is required to modify your benefit elections.

NOTE: Appeals are approved only if the extenuating circumstances and supporting documentation are within your employer's, insurance provider's and the IRS' Regulations governing the plan.

Using Your FSA Dollars

When you pay for an eligible health care or dependent care expense, you want to put your account to work right away. Horizon *MyWay* gives you several convenient reimbursement options.

Follow these steps to submit documentation for your expense:

1. Sign in to **HorizonBlue.com** and click *My Accounts*. In the top right corner, click Horizon *MyWay*, then go to your account.
2. A notification is displayed on your account home page when there's a claim that requires documentation. Click *Go to Claims Summary* in the notification.
3. Select the appropriate account from the *Account* drop-down menu.
4. In the *Debit Card Claims Requiring Documentation* section, click the *Needs Receipt* link next to the claim for which you want to provide documentation.
5. Click *Upload Documentation*.
6. Click *Choose File*.
7. Select the file you wish to upload and click *Open*.
8. Click *Continue*.
9. Review your request to make sure it's correct.
10. Click *Submit*.

Or, to submit a paper claim by email, fax or mail:

Click on *Print Form* and fill out the form. Choose one of these options:

- Send by email to **HorizonMyWay.Documents@HelloFurther.com**
- Send by fax to **1-866-231-0214**
- Send by mail to Horizon *MyWay*, P.O. Box 982814, El Paso, TX 79998-2814

Important FSA Notes

- You have a 120-day run-out period (ending April 30, 2022) after your plan year ends to submit reimbursement requests for all eligible FSA expenses incurred during your plan year.
- You may continue using your Unreimbursed Medical FSA and/or Dependent Care FSA during the grace period, which is two months and 15 days after the end of your plan year (**January 1, 2022** through **March 15, 2022**).
- Claims will be processed in the order in which they are received by Horizon *MyWay*. Your account(s) will be debited accordingly. This is true for both paper claims and Horizon *MyWay* Visa Debit Card transactions. Any funds remaining in an appropriate account from the prior plan year will be used first until exhausted. All subsequent claims will be deducted from your new plan year account balance.

Your Horizon *MyWay* Visa Debit Card

With the convenient Horizon *MyWay* Visa Debit Card, you can pay for health care expenses, and access your account whenever and wherever you need to.

No waiting. No claims to file.

Simply use your card when you want to pay for eligible health care expenses. Money for the expense is transferred directly from your account to your provider or merchant. You don't have to pay cash up front, submit a claim form or wait to be reimbursed.

Easily monitor your account

You can check account balances, view transactions and use our online planning tools at **HorizonBlue.com**.

How to use your card:

- You can use your debit card to pay your portion of eligible medical, dental, prescription and vision expenses.
- You can use your debit card at provider offices.
- For medical claims usually processed by your health plan, simply write your debit card number on your doctor's bill and return it to the provider.
- You can also call your health care provider with your debit card number.

If further documentation is requested

The Horizon *MyWay* Visa Debit Card can be used at all authorized medical providers. Most providers supply products and services that are known to be eligible medical products and services. When you buy a product or service from a provider in this category, medical claims are approved immediately and don't require any further documentation.

Some providers sell both eligible and ineligible products and services (e.g., dermatology and counseling services). When using your debit card with this type of provider, the debit card is accepted when you pay, but Horizon *MyWay* may request more information about the expense.

Visit **HorizonBlue.com/expenses** for a searchable list of eligible medical expenses.

Make debit transactions even easier with Digital Pay

Digital Pay allows you to add your Horizon *MyWay* Visa Debit Card to Apple Pay, Google Pay and Samsung Pay digital wallets. It eliminates the need to carry a physical card. Instead, you can pay for qualified purchases or expenses using your mobile wallet, giving you added convenience and security. To learn more, visit **Digital Pay** online.

Flexible Savings Account Worksheet

Horizon BCBSNJ wants to make sure you have the information you need to get the most out of your benefits. Use this worksheet to help you plan your Horizon *MyWay* FSA so you can keep your out-of-pocket costs low.

Any unused funds at the end of the year or grace period will be returned to your employer, so it's important to estimate how much you'll need for the year. Use the chart below to estimate how much you should set aside for your FSA.

Medical Expense Worksheet

Estimate your medical expenses		
(The IRS allows a maximum contribution of $2,650 per individual)		
Estimate your annual cost for out-of-pocket medical expenses		
• Out-of-pocket costs up to your deductible, along with copays or coinsurance	$	
• Prescription drugs	$	
• Over-the-counter medications	$	
• Medical supplies (e.g., insulin and diabetic supplies)	$	
Out-of-pocket dental, vision and hearing expenses		
• Checkups and cleanings	$	
• Fillings, X-rays, crowns, bridges, dentures, inlays	$	
• Orthodontia	$	
• Eye exams	$	
• Prescription eyewear – glasses, contact lenses and cleaning solution	$	
• Corrective eye surgery – LASIK, cataract, etc.	$	
• Hearing aids and batteries	$	
Estimated total out-of-pocket health care expenses	**$**	

Estimate your annual tax savings from a Medical FSA		
Enter your estimated total out-of-pocket health care expenses from above	$	
Enter your tax rate[1] and multiply	x %	
This is your estimated annual tax savings by using a Medical FSA	**$**	

Dependent Care Worksheet

Estimate your dependent care expenses (The IRS allows a maximum contribution of $5,000.)		
Dependent care expenses		
• Licensed day care, nursery or preschool	$	
• Before and after school care[2]	$	
• Summer day camps (not overnight camp)[2]	$	
• Eldercare[3]	$	
• Other:	$	
Estimated total out-of-pocket dependent care expenses	**$**	

Estimate your annual tax savings from a Dependent Care FSA		
Enter your estimated total out-of-pocket health care expenses from above	$	
Enter your tax rate[1] and multiply	x %	
This is your estimated annual tax savings by using a Dependent Care FSA	**$**	

[1] Depends on your tax filing status. Please consult your tax advisor with questions. [2] Before and after-school care by a licensed provider are considered child care by the IRS. Summer day camps also count as child care. Expenses for overnight summer camps and tuition for kindergarten and first grade (or higher) generally do not qualify for dependent care credit. [3] When an elderly or disabled parent is considered a dependent on your taxes and you are covering more than 50% of their maintenance costs.

Election Change Events

At the beginning of the plan year, you elect a dollar amount to contribute to your account. This election can only be changed if you experience a life change that qualifies as an Election Change Event.

After experiencing an Election Change Event, you have 30 days from the date of the event to contact your employer and change your election amount.

There are two restrictions to changes made as a result of an Election Change Event:

1. The change must correspond with the type of change (e.g., getting married increases the election amount; divorce decreases the amount).
2. The new dollar amount can't be less than the amount that you've already contributed or been reimbursed in the current plan year.

Events that allow you to change your Medical FSA election

Events that increase election

- Marriage
- Birth or adoption of child
- Child who gains dependent status

Events that decrease election

- Divorce
- Child no longer qualifies as a dependent
- Death of dependent

Events that increase or decrease election

- Your spouse or dependent starts or ends a job
- Your spouse or dependent has an increase or decrease in work hours
- You gain or lose eligibility for employer-sponsored health insurance or health flexible spending coverage
- You receive a court order requiring you or another person to provide health coverage for an eligible child
- You, your spouse or dependent gain or lose Medicare or Medicaid coverage
- You go on or return from FMLA leave as allowed by FMLA requirements and plan rules

To request a change in your election, download the Qualifying Event Notification Form. Fill out the form and give it to your employer or benefits administrator, who will send it to Horizon *MyWay*.

COBRA

Federal law requires that most group health plans, including Medical Flexible Spending Accounts (Unreimbursed Medical FSAs), give employees and their families the opportunity to continue their health care coverage when there is a qualifying event that would result in a loss of coverage under an employer's plan. Qualified beneficiaries can include the employee covered under the FSA, a covered employee's spouse and dependent children of the covered employee. Each qualified beneficiary who elects continuation coverage will have the same rights under the plan as other participants or beneficiaries covered under the plan. COBRA is only available for Unreimbursed Medical FSAs. The Tax$ave Plan is an "excepted" plan, and therefore offers only a limited COBRA option. One of the features of a limited COBRA option is that it is only offered for the remainder of the Plan Year and not the full 18 months of COBRA. Also, limited COBRA is only offered if the account is underspent. This occurs when the contributions paid to date are more than claims paid out. Be aware that an account is considered overspent (ineligible to participate in COBRA) if the contributions paid to date are less than the claims paid out.

COBRA Election Example

Arnold's FSA annual election is $1,000 for the current plan year. He breaks with employment in July. He has paid in $500 in payroll (pre-tax) contributions, but has received only $200 in reimbursement. This $300 balance ($500 contribution-$200 claims) is considered underspent and allows Arnold to participate in COBRA. If Arnold was overspent, he could not participate in COBRA.

Coverage will terminate on the date that employment ends. If Arnold doesn't sign up for COBRA, the $300 will be forfeited (unless he can submit $300 of claims incurred prior to termination).

Arnold chooses to participate in COBRA since he has no qualified expenses that he can submit against the $300 balance. He will complete and return the COBRA Election Form and send in the first COBRA payment. Once his first payment has been received, he is eligible to submit claims that were incurred after his break in employment. Arnold can continue to incur and submit claims until he has exhausted his original election for Unreimbursed Medical FSA benefit of $1,000.

Arnold's form W-2 will show $500 Section 125 Medical Expense Contributions.

NOTE: Dependent care election is not eligible for continuation coverage under COBRA.

Election for Continuation Coverage

The COBRA Notice and Election Form will be mailed to each eligible participant by the company administering the N.J. State Tax$ave Unreimbursed Medical FSA. You have 60 days from the date of receipt of the COBRA Notice or the last date of coverage, whichever is later, to elect to continue coverage by completing and submitting the COBRA Election Form.

First Payment for Continuation Coverage

If you elect continuation coverage, you do not have to send any payment for continuation coverage with the COBRA Election Form. However, you must make your first payment for continuation coverage within 45 days after the date of your election (this is the date the Election Notice is postmarked, if mailed). If you do not make your first payment for continuation coverage within that 45 days, you will lose all continuation coverage rights under the Plan. Your first payment must cover the cost of continuation coverage from the time your coverage under the Plan would have otherwise terminated up to the time you make the first payment. You are responsible for making sure that the amount of your first payment is enough to cover this entire period. You may contact Horizon *MyWay*, to confirm the correct amount of your first payment. Instructions for sending your first payment for continuation coverage will be shown on your COBRA Notice and Election Form. All COBRA payments are made with after-tax dollars, which negates the tax savings advantage aspect of the FSA plan. COBRA is not a tax savings plan and is only intended to prevent participants from forfeiting contributions made prior to termination.

Periodic Payments for Continuation Coverage

After you make your first payment for continuation coverage, you will be required to pay for continuation coverage for each subsequent month of coverage. Under the Plan, these periodic payments for continuation coverage are due on the first day of each month. Instructions for sending your periodic payments for continuation coverage will be shown on your COBRA Notice and Election Form.

Grace Periods for Periodic Payments

Although periodic payments are due on the dates shown above, you will be given a grace period of 30 days to make each periodic payment. Your continuation coverage will be provided for each coverage period, as long as payment for that coverage period is made before the end of the grace period for that payment. If you pay a periodic payment later than its due date but during its grace period, your coverage under the Plan will be suspended as of the due date and then retroactively reinstated (going back to the due date) when the periodic payment is made. This means that any claim you submit for benefits while your coverage is suspended may be denied and may have to be resubmitted once your coverage is reinstated. If you fail to make a periodic payment before the end of the grace period for that payment, you will lose all rights to continuation coverage under the Plan.

For more information about your COBRA rights, please contact Horizon *MyWay* at **1-888-215-0025**

Beyond Your Benefits

Deferred Compensation (457 Plan)

Participating in the Flexible Benefits Plan may affect your maximum annual contribution to the 457 plan. That is, Flexible Benefits Plan contributions reduce includible compensation* from which the maximum deferrable amount is computed. You should contact the Deferred Compensation vendor or the Tax Deferred Annuity (TDA) provider about the specific effect of the Flexible Benefits Plan.

* Includible compensation is the gross income shown on your W-2 form.

Notice of Administrator's Capacity

This notice advises FSA participants of the identity and relationship between your employer and its Contract Administrator, Horizon *MyWay*. We are not an insurance company. We have been authorized by your employer to provide administrative services for the FSA plans offered herein. We will process claims for reimbursement promptly. In the event there are delays in claims processing, you will have no greater rights in interest or other remedies against us than would otherwise be afforded to you by law.

Social Security

Social Security consists of two tax components: the FICA or OASDI component (the tax for old-age, survivors and disability insurance) and the Medicare component. A separate maximum wage to which the tax is assessed applies to both tax components. There is no maximum taxable annual wage for Medicare. The maximum taxable annual wage for FICA is subject to federal regulatory change. If your annual salary after salary reduction is below the maximum wage cap for FICA, you are reducing the amount of taxes you pay and your Social Security benefits may be reduced at retirement time.

However, the tax savings realized through the Flexible Benefits Plan generally outweigh the Social Security reduction. Call Customer Service at **1-888-215-0025** for more information or contact your tax advisor.

Have questions? We're here to help.

The Horizon *MyWay* customer service team is available from 8 a.m. to 9 p.m., ET to answer your questions. You can reach our automated service 24 hours a day by calling **1-888-215-0025**. Account information and helpful resources are available at **HorizonBlue.com**.

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