

SECTION 125 FLEXIBLE BENEFIT PLANS

A Summary of the Reimbursement Account Arrangement



Unreimbursed Medical Expense Account

Dependent Day Care Expense Account

AFES / Rev. 12/10

Dear Participant:

Thank you for electing to participate in the flexible spending portion of the Section 125 Flexible Benefit Plan being sponsored by your employer. The amounts you have elected to be set aside for your Unreimbursed Medical Expense and/or your Dependent Day Care Expense Account will be in force for the next plan year.

Although Section 125 regulations permit an election change due to a qualified event, in most cases, **no election changes are permitted for the Unreimbursed Medical Expense Account except for termination of employment by an employee.** For special rules affecting your plan, contact your employer. Election changes for valid status changes are permitted for the Dependent Day Care Account. *Only claims incurred while you are contributing to the account(s) will be eligible for reimbursement.*

The following sections are included in this booklet:

How Your Plan Works

How to File a Claim

Checking Balance or Claim Status

Q&A

Information about Direct Deposit

You may access the necessary forms to claim a reimbursement on-line. Check out our web site at www.afadvantage.com for additional forms and other items of interest. You can also sign up for an account activation code to have secured access to your personal account information, including balance and claim history.

We look forward to assisting you with your Flexible Benefit Plan.

Sincerely,



Linda Reynolds
Vice President
Flex Account Administration

HOW YOUR PLAN WORKS



Flexible spending accounts allow you to direct a part of your pay, on a pre-tax basis, into special accounts that can be used throughout the year to reimburse yourself for certain out-of-pocket medical expenses and/or dependent day care expenses. Because your money goes into your reimbursement accounts before federal and state income taxes are withheld, you pay less in taxes, and ultimately have more disposable income. There are two separate accounts: The Unreimbursed Medical Expense Account and the Dependent Day Care Expense Account.

Unreimbursed Medical Expense Account (URM)

Your Unreimbursed Medical Expense Account (Health FSA) may be used to reimburse yourself for eligible medical expenses incurred for yourself, your spouse, your eligible dependents, and/or your adult children* who have not reached age 27 before the end of the calendar year. Your employer establishes your maximum for each plan year.

You may only be reimbursed for expenses incurred for services rendered during the plan year, or if applicable, during the grace period immediately after the end of your plan year. Not all employers offer the grace period; please check with your employer to see if this applies to you. You may also submit your claim for reimbursement on or before the run-off period ends, for claims incurred during the plan year or grace period (if applicable). The length of the run-off period may vary so please consult your employer for details. **Refer to the back of this packet for a listing of eligible and ineligible expenses.**

*As a general rule, employees pay no FICA, federal, or state income taxes on employer or employee Health FSA contributions. However, some state tax rules do not allow the tax-free treatment that applies under federal law and, therefore, Health FSA benefits may need to be included in your income for state tax purposes. For more information, consult with your tax advisor.

Dependent Day Care Expense Account (DDC)

Your Dependent Day Care Expense Account may be used to reimburse yourself for eligible dependent day care expenses incurred to allow you (and your spouse if you are married) to work, or for your spouse to look for work, go to school full-time, or who is incapable of self-care. Work may include actively looking for work, yet unpaid volunteer work or volunteer work for a nominal salary does not qualify. You may allocate up to \$5,000 per tax year for reimbursement of dependent day care services (\$2,500 if you are married and file a separate return).

Special Rules for Dependent Day Care Include:

- You must have income from work during the year.
- You (and your spouse if you are married) must have the same principal place of abode with the dependent for more than half of the taxable year and the dependent must stay in your home at least 8 hours per day.
- You must have made payments for dependent day care to someone you could not claim as a dependent, and, if the person you made payments to was your child, he or she must have been age 19 or over by the end of the tax year.
- Child support payments and child care payments qualifying as alimony are not qualified expenses for reimbursement.

- The grace period does not apply to the Dependent Day Care Expense Account.
- You will have a run-off period of 90 days after the end of the plan year to submit dependent care claims incurred during the plan year for reimbursement.

Eligible Dependent Day Care Expenses:

- A dependent day care center or an individual providing dependent day care must comply with all federal, state and local regulations, if applicable.
- A dependent day care center is a place that provides care for more than six persons (other than persons who live there) and receives a fee, payment or grant for providing services for any of those persons, regardless of whether the center is run for profit.
- Dependent day care expenses are eligible if the care is for your dependent, which would be a qualifying child (as defined in Code Section 152(c)) under age 13 or for any other qualifying dependent (qualifying child or qualifying relative as defined in Code Section 152(c) and Code Section 152 (d), respectively) or your spouse who is physically or mentally incapable of self-care, who has the same principal place of abode as you (the taxpayer) for more than half of the taxable year and who regularly spends at least 8 hours each day in your household.
- The services of a housekeeper, maid or cook are usually considered necessary to run your home if performed in connection with the care of a qualifying dependent.
- The cost of getting a qualifying dependent to and from your home and the care location is not an eligible expense.

Qualifying Dependent:

Eligible dependent day care expenses are for a “qualifying individual”, which means your “qualifying child” (as defined in Code Section 152(c)) under age 13 or for any other “qualifying dependent” (qualifying child or qualifying relative, as defined in Code Section 152(c) and (d), respectively), or your spouse who is physically or mentally incapable of self-care and who has the same principal place of abode as you (the taxpayer) for more than half of the taxable year.

If you are divorced or separated and you are the custodial parent of your qualifying child, your qualifying child qualifies if all of the following conditions are met, even though you do not claim a dependency exemption for the child for federal income tax purposes:

- The child is your qualifying child (as defined in Code Section 152 (c)) under age 13 or is not able to care for himself or herself;
- The child must receive over half of the child’s support during the calendar year from the child’s parents;
- The child’s parents must be (1) divorced or legally separated under a decree of divorce or separate maintenance, (2) separated under a written separation agreement, or (3) live apart at all times during the last six months of the calendar year;
- The child must be in the custody of one or both of his or her parents for more than half of the calendar year; and
- A decree of divorce or separate maintenance or written separation agreement between the parents applicable to the year provides that the noncustodial parent shall be entitled to any deduction

allowable under Code Section 151 for the child, or the custodial parent will sign a written declaration that the custodial parent will not claim the child as a dependent for the year.

Earned Income Limit:

Your eligible expenses during a calendar year may not be more than your earned income for the year, if you are single at the end of the calendar year, or the smaller of your earned income or your spouse's earned income for the year, if you are married at the end of the calendar year.

Dependent Care Tax Credit Alternative:

- You should be aware that you may be able to take a federal tax credit, depending on your adjusted gross income, ranging from 20% to 35% of the amount you pay for dependent day care expenses instead of participating in the Dependent Day Care Expense Reimbursement Account.
- You may use up to \$3,000 of dependent day care expenses to figure your credit if you have one qualifying dependent and up to \$6,000 if you have two or more qualifying dependents.
- The tax credit is a direct reduction of the tax you owe to the federal government, unlike the income exclusion of participating in the Dependent Day Care Expense Account. Many states also provide a state tax credit for dependent day care expenses.
- You should consult with your tax advisor as to whether the tax credit may be more favorable for you than participating in the Dependent Day Care Expense Account. You may also wish to obtain IRS Publication 503 for more information about the federal tax credit.

Important Tax Information for Dependent Care:

Regardless of whether you participate in the Dependent Day Care Expense Account under Section 125 or claim the dependent care tax credit on your income tax, **you must provide the IRS with the name, address and taxpayer identification number (TIN) of your dependent care provider(s) by completing Schedule 2 of Form 1040A or Form 2441 and attaching it to your annual income tax return.** Be sure that you follow the current instructions given by the IRS for preparing your annual income tax return. Failure to provide this information to the IRS could result in loss of the pre-tax exemption for your dependent care expenses.

Important Information About Your Flexible Spending Account(s):



- You must elect to participate prior to the beginning of each plan year. There is no allowance for late enrollment.
- **No reimbursements will be made until the first account deposit of the plan year is received from your employer.**
- The amounts that you designate for reimbursement of medical expenses may not subsequently be used for reimbursement of dependent day care expenses, and vice versa.
- If you are enrolled in the Unreimbursed Medical Expense Account and take a leave of absence during the plan year, you may:
 1. Prepay the contributions pre-tax, or
 2. Continue the contributions on an after-tax basis (pre-tax contributions may continue when you return to work), or
 3. Prorate the unpaid contributions over the remaining pay periods when you return to work. Failure to make all election contributions will result in termination of your account as of the date contributions ceased.
- Your employer may have added a grace period provision to your Section 125 Flexible Benefit Plan for the Unreimbursed Medical Expense Account only. The grace period is an additional 70 days at the end of your plan year during which you can incur and/or submit medical expense claims for reimbursement. At the end of the grace period, you will have a runoff period of an additional 20 days during which you can submit claims for reimbursement from the immediately preceding plan year and grace period. **Not all employers offer the grace period on their Section 125 Flexible Benefit Plan. Please check with your employer to determine if this provision applies to you.** If your employer does not offer the grace period provision, you will have a 90 day runoff period after the end of the plan year to submit medical expense claims for reimbursement from the immediately preceding plan year.
- The grace period does not apply to the Dependent Day Care Expense Account. You will have a 90 day runoff period after the end of the plan year to submit dependent care claims for reimbursement from the immediately preceding plan year.

If you do not file sufficient claims for reimbursement, you will forfeit the unused amounts. This is often referred to as the “use or lose” rule.

Election Changes

Dependent day care elections are irrevocable for the period of coverage (the plan year), except for a change in status which affects your need for day care. Examples of a change in status include marriage, divorce or legal separation; birth or adoption of a child; loss of a spouse or child; change in residence affecting your daycare, or change in your or your spouse’s employment status. An election change may also be allowed due to a judgment, decree or order, or cost change. If you revoke your dependent day care election due to a change in status, only claims incurred while you are actively participating will be eligible for reimbursement.

In most cases, no changes are permitted for the Unreimbursed Medical Expense Account for any reason except for termination of employment. Contact your employer for special rules affecting your plan.

Options at Employment Termination:

Upon termination of employment an employee may elect to discontinue participation in the Unreimbursed Medical Expense Account or to continue the payment, if eligible, either by pre-taxing the remaining contributions for the plan year from W-2 taxable income or paying for them on an after-tax basis (COBRA) through the end of the plan year. If you elect to continue all remaining contribution on an after-tax basis, the coverage under the Unreimbursed Medical Expense Account will continue until the premium ceases and expenses incurred during the period of coverage (including grace period) will be reimbursed.

If you do not elect to continue the payments on an after-tax basis, only expenses incurred during the period of coverage will be reimbursed (grace period provision will not apply). **Coverage under the Unreimbursed Medical Expense Account ceases when the payments cease.**



HOW TO FILE A CLAIM

1. **Complete an Expense Reimbursement Voucher**, along with the third party documentation. See list of acceptable documentation below.
2. **Submit your completed form and documentation** to American Fidelity's Flex Department. You can either mail it to the address located on the bottom of the voucher or fax it toll-free to 1-800-543-3539.
3. **American Fidelity's Flex Team will process the voucher** and you will be reimbursed for your eligible expenses. The medical expense reimbursement will be for the amount of the eligible expenses claimed up to the maximum benefit amount you elected for the plan year. The dependent day care expense reimbursement will be for the amount of the eligible expense you claimed up to the amount you have accumulated in your account. If the dependent day care expense claim is in excess of your account balance, the balance of the amount due will be forwarded to you as additional contributions are received.
4. You can choose to have your reimbursement mailed to you or electronically deposited into your checking account.

Unreimbursed Medical Acceptable Documentation with a Voucher Form:

1. Professional bill or receipt that includes provider of service, type of service rendered, original date of service and charge for the service. NOTE: the date of service, not the date of payment, must fall within the plan year for which you are enrolled.
2. Insurance Company Explanation of Benefits (EOB).
3. Pharmacy statement that includes Rx number and the name of prescription, along with amount charged.
4. Over-the-counter drugs and medicine require a medical practitioner's prescription and receipt

Dependent Care Acceptable Documentation with a Voucher Form:

1. Dependent Day Care Provider Acknowledgment Form.

Unreimbursed Medical Unacceptable Documentation with a Voucher Form:

1. Cancelled checks / credit card receipts.
2. Bill or receipt that shows a balance forward / previous balance or payment.
3. Documentation that is not legible.

American Fidelity's Service Commitment:

- Quick processing of claims. Our average turnaround time is approximately 5 to 7 business days from receipt of claim.
- Toll-free fax line for the submission of your claim. You can fax your claim to: 1-800-543-3539 and save mail time.
- Ability to have your reimbursement directly deposited into your checking account. Simply fill out the "Authorization Agreement for Automatic Deposits" located on our web site.
- Toll-free customer service line to assist you with filling out your voucher form and answering any questions you have on your flexible spending accounts. Contact us at 1-800-325-0654.

HOW TO CHECK YOUR BALANCE OR CLAIM STATUS:



As a Flexible Spending Account participant, you have several options to inquire on the status of your reimbursement account.

1. By Automated Telephone:

American Fidelity's FlexConnection® is an automated interactive voice response system that allows you to make inquiries about your Unreimbursed Medical and/or Dependent Day Care Expense Account from your touch-tone telephone. The FlexConnection® is available 24 hours a day, not just during our office hours! By calling FlexConnection® you can obtain your current account balance plus review the latest activity in your account, the date and amount of your last reimbursement, your last claim entry, and your last deposit.

American Fidelity's FlexConnection®:

Oklahoma City, Oklahoma Area: (405) 523-2029, then choose option 1

Outside Oklahoma City Area: (800) 325-0654, then choose option 1

2. By Internet:

Capture the Advantage with afadvantage.com! Our web site – afadvantage.com – offers flexible spending account participants access to a secured area providing account information, including online flexible spending account balances and claim status.

In order to utilize the secured site, you will need to register online by selecting the "Login" header bar at our home page – www.afadvantage.com. The system will then guide you through the steps necessary to register. You will then be ready to review your account's activity throughout your plan year.

3. Contact our Customer Service Department:

You can also speak directly with one of our Customer Service Representatives at 1-800-325-0654 during our office hours of 8:00 am to 4:45 pm (CST), Monday through Friday.

QUESTIONS & ANSWERS:



Q: Can I view my account on-line?

Yes, simply go to our web site at www.afadvantage.com. To sign up for access to our Secured Online Service Center. You will then be able to securely review your account, including deposits, reimbursement requests, reimbursements issued and balance.

Q: How long will it take for my claim to be processed?

Once the first deposit is received, claims are processed within an average of 5-7 business days from the received date. If you fax your claim, you will save on mail time. You can also sign up to have your reimbursement deposited directly into your checking account.

Q: How often do I need to submit my claims?

You may submit your claims as often as is convenient for you. Because of the increased volume of claims submitted at the end of the calendar year, the processing time may be longer than during the rest of the year. We would suggest submitting claims all throughout the plan year to avoid delays.

Q: What paperwork is required for an unreimbursed medical claim?

We need a professional receipt or an itemized statement from the medical provider of service that includes:

- 1. Original date of service, 2. Type of service rendered, 3. Charge for the service, and 4. Provider of service.*

Effective January 1, 2011, you must provide a medical practitioner's prescription in order to be reimbursed for over-the-counter drugs or medicines. Please refer to the eligible expense chart located at the back of this booklet for additional information.

Some expenses require a doctor's statement to justify the expense. When a doctor's statement is required, it should be on the doctor's letterhead (or prescription pad) and should state that the treatment or expense is necessary to treat the specified medical condition. Please refer to the eligible expense chart located at the back of this booklet for additional information.

Q: How can I find out if you received my fax?

We receive a very large volume of faxes daily. They are tracked in our system by the date received. You can include your e-mail address on your election form or reimbursement voucher. Once your e-mail address has been entered into our system, you will receive notifications when your claim is received, when it has been processed, and of a direct deposit.

Q: The run-off period for my plan will end very soon. Does my claim have to be in your office by the last day of the run-off period, or just postmarked by this date?

Claims must be received in our office on or before the last day of the run-off period. American Fidelity **will not** honor claims received after the run-off ends.

Q: How do I get reimbursed for my mileage?

The cost for mileage which is primarily for medical treatment may be reimbursed through the Unreimbursed Medical Expense Account by either submitting a Medical Travel Log, or by submitting all of the required information listed on the Medical Travel Log, with your voucher. This would include the number of miles traveled, reason for treatment, who the treatment was for, where the facility was located, and the dollar amount that is being claimed. The Medical Travel Log is located on our web site.

Q: How do I claim over-the-counter expenses?

Effective January 1, 2011, you will be required to submit a medical practitioner's prescription, along with a receipt and completed voucher, in order to be reimbursed for over-the-counter drugs and medicines purchased on or after this date. If the item is not a drug or medicine, but is considered a dual-purpose item, then you will need to submit a doctor's statement explaining the need for the item in order to be reimbursed. Please refer to the eligible expense chart located at the back of this booklet for additional information.

Q: What paperwork is required for a dependent day care claim?

You will need to submit the Dependent Day Care Voucher/Acknowledgment form. If you are only claiming daycare expenses, you can use the combination form. If you are claiming both medical expenses and daycare expenses at the same time, you will need to submit the Expense Reimbursement Voucher and the Dependent Day Care Provider Acknowledgment Form. The form must include the tax ID or individual social security number of the provider. These forms can be located on the web site.

Q: Can I cancel my Dependent Day Care Expense Account?

The only way the Dependent Day Care Expense Account may be cancelled is if you have a change in status that affects your need for the benefit. Otherwise, the plan will remain in force until the end of the plan year.

Q: Why do I receive only partial reimbursements for my dependent day care?

Dependent day care reimbursements are paid up to the amount available in the account. If a contribution is posted and there is a pended amount (claims in excess of deposits) then we will automatically pay on the pended amount. As additional claims are received, we will continue to send reimbursements up to the amount that has accumulated in the account.

DIRECT DEPOSIT



Have you signed up to have your flexible spending account reimbursement deposited directly into your checking account?

- * Direct deposit eliminates the possibility of your check being lost or delayed in the mail!
- * Direct deposit eliminates that trip to the bank to deposit your reimbursement check!

Each time a deposit is made to your account, you will be mailed an Explanation of Benefits that shows the deposit made as well as a summary of your account. If you have provided us with your e-mail address, this notification will be e-mailed to you. This will let you keep track of your account just as you always have.

How do you get started on Direct Deposit?

Just complete the Authorization Agreement for Automatic Deposit that you will find on the web site and mail or fax it back to us! It will take approximately two weeks from the date that we receive the authorization for direct deposits to begin. Until that time, you will receive a check for reimbursements.

How do you make a change?

If you change banks or account numbers, simply complete a new authorization agreement. We will stop your deposits as soon as we receive the new authorization. It will take approximately two weeks for deposits to begin going to your new account. During this time, you will receive a check for any reimbursements made to you.

How long will this authorization remain in effect?

This authorization will remain in effect until you send us written notification to terminate it. If you elect to participate in the reimbursement account for the next plan year, your authorization will carry over. If you elect not to participate in the reimbursement accounts for the next plan year, no deposits will be made to your account following the run-off period.

We hope that you will decide to take advantage of this convenient service! If you have any questions, please call us at 1-800-325-0654.

What Expenses Are Eligible for Reimbursement?

The following table illustrates expenses commonly requested for reimbursement from the Health FSA (Unreimbursed Medical Expense Account). This tool is for use by American Fidelity Assurance Company customers and any other use is strictly prohibited. Each item, service, or charge in this table is classified as an eligible expense, potentially eligible expense, or not an eligible expense.

Eligible Expense = eligible for reimbursement under a Health FSA, HRA, or a tax-free distribution from an HSA.

Potentially Eligible Expense = sometimes qualifies as eligible depending upon certain facts.

Generally Not an Eligible Expense = does not typically qualify as an eligible expense, although a limited exception is available.

Not An Eligible Expense = does not qualify as an eligible expense for reimbursement under a Health FSA, HRA, or a tax-free distribution from an HSA.

OTC = over-the-counter

American Fidelity does not reimburse capital expenses, even though they may be qualified expenses. Examples of capital expenses include, but are not limited to, exercise equipment, removal of lead-based paint, air conditioner, air purifier, mattresses, pillows or vacuums, water filters, automobile modifications for physically handicapped individuals, home improvements such as exit ramps, widening doorways, etc. to accommodate physically handicapped individuals.

EXPENSE	ELIGIBLE?	SPECIAL RULES
Acne treatment (OTC)	Potentially eligible	If to treat acne, it is eligible if incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines. However, the cost of regular skin care does not qualify.
Acne treatment - prescription	Potentially eligible	If the expense can be used for both cosmetic and medical (such as Retin-A, which can be used to treat both acne and wrinkles), a physicians recommendation with the medical condition is required.
Acupuncture	Yes	If treating a medical condition.
Adoption – medical expenses incurred before adoption is finalized	Yes	If the child is your tax dependent when the service is provided.
Advanced reimbursements	No	See special requirements under Orthodontia expenses and Prenatal expenses.
Alcoholism treatment	Yes	For inpatient treatment
Allergy medicine (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.

Alternative healers	Potentially eligible	Nontraditional healing treatments provided by professionals may be eligible if provided to treat a specific medical condition. The treatments must be legal. And the expenses do not qualify if the remedy is a food or substitute for food that the person would normally consume in order to meet nutritional requirements. Drugs and medicines recommended by alternative healers to treat a specific medical condition can qualify as medical care. Drugs and medicines incurred after December 31, 2010 must be prescribed. See Drugs and medicines.
Ambulance	Yes	
Analgesics (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Antacid (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Antihistamine (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Anti-itch creams (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Antibiotic sprays or ointments (for first aid) (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Artificial limbs and teeth	Yes	
Aspirin (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Asthma treatments	Yes	
Autopsy	No	
Babysitting/child care	No	See Dependent daycare expenses.
Bandages (OTC)	Yes	
Behavioral modification programs	Potentially eligible	See Schools and education
Birth control pills	Yes	

Birthing classes/childbirth classes/Lamaze	Potentially eligible	Expenses for a coach, doula or significant other are not eligible. See Lamaze classes.
Blood pressure monitoring devices	Yes	
Blood sugar test kit and test strips (OTC)	Yes	Diagnostic items
Body scan	Yes	See Diagnostic items/services
Breast pumps (OTC)	Potentially eligible	Not eligible if used merely to benefit general health, or for convenience, or other personal reasons. If the expense is for medical care, a medical practitioner's recommendation is required stating the item is to treat a specific medical condition.
Breast reconstruction surgery following mastectomy	Yes	Eligible if surgery was done following a mastectomy for cancer.
Calamine lotion (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Carpal tunnel wrist supports	Yes	
Chelation therapy	Yes	Eligible expense if used to treat a medical condition such as lead poisoning.
Childbirth classes	Potentially eligible	Expenses for a coach, doula or significant other are not eligible. See Lamaze classes.
Chiropractors	Yes	
Chondroitin (OTC)	Potentially eligible	Eligible if used primarily for medical care. Will not qualify if used to maintain general health. A medical practitioner's recommendation is required stating the item is to treat a specific medical condition.
Christian Science practitioners	Potentially eligible	Eligible if expense is for medical care.
Circumcision	Yes	
COBRA premiums	Generally no	Health FSA – Not eligible HRA – Not eligible HSA – Eligible expense
Cold medicine (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Cold/hot packs (OTC)	Yes	
Condoms (OTC)	Yes	
Co-insurance amounts, co-payments and deductibles	Yes	Eligible if the underlying service/item qualifies.

Contact lenses, materials, and equipment	Yes	If contacts are needed for medical purposes. Supplies needed for using lenses will qualify if the lenses are needed for medical purposes.
Contraceptives (OTC)	Potentially eligible	See birth control pills; condoms; Spermicidal foam.
Cosmetic procedures or surgery	Generally no	Exception for amounts paid for surgery necessary to improve a deformity arising from a congenital abnormality, personal injury from an accident or trauma, or a disfiguring disease.
Cosmetics	No	
Cough suppressants (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Counseling	Potentially eligible	Eligible if primarily for medical care. Must submit a medical practitioner's recommendation with the medical condition, an EOB, or a practitioner's receipt listing the diagnosis code.
Crutches	Yes	
Decongestants (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Deductibles	Yes	
Dental services	Yes	Eligible for expenses incurred for the prevention and alleviation of dental disease. Teeth whitening is not eligible.
Dentures and denture adhesives (OTC)	Yes	
Dependent daycare expenses	No	Dependent day care expenses are not eligible medical expenses but may be eligible for reimbursement from a Dependent Day Care FSA
Diabetic supplies (OTC)	Yes	Diagnostic items
Diagnostic item/services	Yes	
Diaper rash ointment/cream (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Diapers or diaper service	Generally no	Eligible if expenses incurred to relieve the effects of a diagnosed medical condition, such as urinary incontinence in adults. A medical practitioner's recommendation with the medical condition is required.

Diarrhea medicine (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Dietary supplements (OTC)	Potentially eligible	Eligible if used primarily for medical care. Will not qualify if used to maintain general health. A medical practitioner's recommendation is required stating the item is to treat a specific medical condition.
DNA collection and storage	Potentially eligible	Temporary storage may be eligible if collected as part of a diagnosis, treatment or prevention of existing or imminent medical condition. A medical practitioner's recommendation with the medical condition is required.
Drug addiction treatment	Yes	
Drug overdose treatment	Yes	
Drugs and medicines	Potentially eligible	Must be primarily for medical care (and not for personal, general health, or cosmetic purposes), legally procured, and generally accepted as medicines and drugs. In addition, over-the-counter expenses incurred after December 31, 2010, will qualify only if the medicine or drug is prescribed or is insulin. A prescription for this purpose is one written by an individual legally licensed to issue prescriptions, meeting the same legal requirements and including the same information as required for a drug or medicine that is available by prescription only. The prescription must be submitted with the expense reimbursement request but the prescription does not have to be filled by a pharmacist.
Ear plugs (OTC)	Potentially eligible	Eligible if treating a specific medical condition. A medical practitioner's recommendation with the medical condition is required.
Egg donor fees	Yes	
Eggs and embryos storage fees	Potentially eligible	Eligible if expense is for temporary storage, but only to the extent necessary for immediate conception.
Electrolysis or hair removal	No	
Eye examinations, eyeglasses and related equipment and materials/cleaners	Yes	
Face creams, moisturizers (OTC)	No	
Face lifts	No	

Feminine hygiene products	No	
Fertility treatments (e.g., surgery, in vitro fertilization (IVF), gamete intrafallopian transfer (GIFT) and shots)	Potentially eligible	Eligible to the extent procedure is intended to overcome an inability to have children. Expenses for IVF surrogate not eligible unless the surrogate is a tax dependent.
Fever reducing medications (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Fiber supplements (OTC)	Potentially eligible	Eligible if used primarily for medical care. Will not qualify if used to maintain general health. A medical practitioner's recommendation is required stating the item is to treat a specific medical condition.
First aid cream and first aid kits (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Fitness programs	Potentially eligible	See health club dues.
Flu shots	Yes	
Funeral expenses	No	
Gambling addiction treatment	Potentially eligible	Expense eligible for inpatient treatment at a therapeutic center for gambling addiction.
Gauze pads (OTC)	Yes	
Genetic testing	Potentially eligible	Eligible if testing is done to diagnose a medical condition or to determine possible defects. However, testing done just to determine the sex of a fetus would not qualify.
Glucosamine (OTC)	Potentially eligible	Eligible if used primarily for medical care. Will not qualify if used to maintain general health. A medical practitioner's recommendation is required stating the item is to treat a specific medical condition.
Glucose monitoring equipment (OTC)	Yes	Diagnostic items
Guide dog or other animal aide	Yes	Eligible if expense is to assist a physically disabled person; expense of buying, training, and maintaining a guide dog includes the expenses of food and inoculations. Veterinary fees for such animals also qualify as medical care.
Hair removal/transplant	No	

Health club dues and fees	Generally no	Only in very limited circumstances would fees paid to a health club qualify. Expense is eligible if a physician recommends to treat a specific medical condition (e.g., rehabilitation after back surgery or treatment for obesity). The expense must not have been incurred "but for" the disease (for example, if you belonged to the health club before being diagnosed, then the fees would not qualify). When treatment is no longer needed, the fees would no longer qualify. A medical practitioner's recommendation is required stating the expense is to treat a specific medical condition.
Hearing aids (OTC)	Yes	Includes the cost of batteries
Hemorrhoid treatment (OTC)	Yes	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Herbal supplements (OTC)	Potentially eligible	See Dietary supplements
Home care	Potentially eligible	See Nursing services
Hormone replacement therapy	Potentially eligible	Eligible if expense is primarily for medical care. Will not qualify if used to maintain general health. Prior to January 1, 2011, a medical practitioner's recommendation is required. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Hospital services	Yes	
Illegal operations and treatments	No	
Immunizations	Yes	
Incontinence supplies (OTC)	Yes	Adult diapers used to relieve incontinence generally will qualify. See Diapers.
Infertility treatments	Potentially eligible	See Fertility treatments.
Insect bite creams and ointments (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Insulin	Yes	Includes equipment necessary to inject the insulin, such as syringes or insulin pumps.
Insurance premiums	Generally no	FSA and HRA – no. HSAs can reimburse insurance premiums in limited circumstances. See information at www.irs.gov for more details.
Laboratory fees	Yes	If part of medical care or diagnosis.

Lamaze class	Potentially eligible	To the extent instruction relates to birth and not childrearing. Expenses for the coach or significant other do not qualify.
Language training for dyslexic/disabled child	Potentially eligible	Eligible if the expense is for a child with dyslexia or an otherwise disabled child. Amounts paid for regular schooling do not qualify. A medical practitioner's recommendation is required stating the expense is to treat a specific medical condition.
Laser eye surgery/Lasik/Radial Keratotomy	Yes	
Late fees on medical bills	No	
Laxatives (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Learning disability, instructional fees	Potentially eligible	Eligible if expense is prescribed by a physician. Includes expenses for special school or specially trained teacher for a child who has severe learning disability caused by mental or physical impairment.
Liquid bandage (OTC)	Yes	
Lodging at hospital or similar institution	Potentially eligible	Eligible if principle reason for being there is to receive medical care.
Lodging not at hospital or similar institution	Potentially eligible	Up to \$50/night, provided: (1) lodging is primarily for and essential to medical care; (2) medical care is provided in a hospital or medical facility related to or equivalent to licensed hospital; (3) lodging is not lavish; and (4) no element of personal pleasure, recreation or vacation in the travel. If a parent is traveling with a sick child, up to \$100 may qualify (\$50 for each person).
Lodging of a companion	Potentially eligible	If accompanying a patient for medical reasons and all of the conditions described under Lodging not at a hospital, are also met.
Lodging while attending a medical conference	No	
Long term care services	Generally no	FSA – No HRA – No HSA - Yes
Marijuana or other controlled substances	No	

Massage therapy	Potentially eligible	Eligible if expense is to treat a specific injury or trauma. Will not qualify if to improve general health. A medical practitioner's recommendation is required stating the expense is to treat a specific medical condition.
Mastectomy-related bras	Yes	
Medic-alert bracelet/necklace (OTC)	Potentially eligible	Eligible if expense is recommended by a medical practitioner in connection with treating a medical condition. A medical practitioner's recommendation is required stating the expense is to treat a specific medical condition.
Medical conference admission/transportation/meals	Potentially eligible	Eligible if expense relates to a chronic disease suffered by you, your spouse, or your dependent and if the conference is primarily for and essential to the person in need of medical care.
Medical monitoring and testing devices (OTC)	Yes	These items include blood-pressure monitors, syringes, glucose kit, etc.
Medical records charges	Yes	For the expense associated with transferring medical records to a new medical practitioner.
Medicines and drugs	Yes	See Drugs and medicines
Menstrual pain relievers (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Mentally handicapped, special home for	Potentially eligible	The cost of keeping a mentally handicapped person in a special home (not a relative's home) on a psychiatrist's recommendation to help that person adjust from life in a mental hospital to community living may apply.
Missed appointment fee	No	
Motion sickness pills (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Nasal sprays (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Nasal strips (OTC)	Potentially eligible	Eligible if expense is incurred to treat medical condition. Will not qualify if used for run of the mill snoring. A medical practitioner's recommendation is required stating the expense is to treat a specific medical condition.

Naturopathic healers	Potentially eligible	See Alternative healers; Drugs and medicines; Vitamins
Nicotine gum or patches (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Norplant insertion or removal	Yes	
Nursing services provided by a nurse or other attendant	Potentially eligible	Expenses incurred, such as wages, employment taxes, and other amounts you pay for nursing services (including extra costs for nurses' room and board) generally will qualify, whether provided in the participant's home or another facility. The attendant doesn't have to be a nurse, as long as the services are those generally performed by a nurse. These include services connected with caring for the patient's condition, such as giving medication or changing dressings, as well as bathing and grooming. But if the person providing nursing services also provides household and personal services only those expenses for nursing services qualify.
Nursing services for a baby	No	Does not qualify if baby is normal and healthy.
Nutritionist's professional expenses	Potentially eligible	Eligible if expense relates to a specifically diagnosed medical condition. Will not qualify if the expense is for general health. A medical practitioner's recommendation is required stating the expense is to treat a specific medical condition
Nutritional supplements (OTC)	Potentially eligible	See Dietary supplements.
Obstetrical expenses	Yes	
Occlusal guards to prevent teeth grinding	Yes	
Optometrist	Yes	
Organ donor	Yes	Including surgical, hospital and laboratory services as well as transportation expense for donor.
Orthodontia expenses	Yes	Orthodontia expenses and supplies are eligible. However, when an orthodontic treatment plan is paid up-front at the time of the first visit or the plan will apportion the reimbursements as services are provided during the treatment plan.
Over-the-counter medicines (OTC)	Potentially eligible	See Drugs and medicines.

Ovulation monitor	Yes	
Pain relievers (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Patterning exercises	Potentially eligible	Eligible if expense is for exercises for a mentally handicapped child. A medical practitioner's recommendation is required stating the expense is to treat a specific medical condition
Physical exams	Yes	
Physical therapy	Yes	
Physician access retainer	No	
Pregnancy test kit	Yes	
Prenatal expenses	Yes	Prenatal expenses paid up front may be reimbursed in the year during which the lump sum amount was contracted, despite the fact that all expenses have not yet been incurred.
Prenatal vitamins (OTC)	Potentially eligible	If taken during pregnancy (a medical condition). Vitamins taken at other times generally do not qualify. A medical practitioner's recommendation is required stating the expense is to treat a specific medical condition
Prescription drugs and medicines obtained from other countries	No	
Prescription drug discount programs	No	A fee paid to get a drug discount card will not qualify; the cost of the prescription may qualify.
Propecia	Potentially eligible	Eligible if used to treat a medical condition such as alopecia. When used for cosmetic purposes (i.e., to treat male pattern baldness) it is not an eligible expense. Must be prescribed. See Drugs and medicines.
Prosthesis	Yes	
Psychiatric care	Yes	Eligible if treating a medical condition. Must submit a medical practitioner's recommendation stating the expense is to treat a specific medical condition, an EOB, or a practitioner's receipt listing the diagnosis code.

Psychoanalysis or psychologist	Potentially eligible	Eligible if expense is treating a medical condition. Will not qualify if for the general improvement of mental health, to relieve stress or personal enjoyment. Must submit a medical practitioner's recommendation stating the expense is to treat a specific medical condition, an EOB, or a practitioner's receipt listing the diagnosis code.
Radial keratotomy	Yes	
Retin-A	Potentially eligible	Eligible if expense is treating a medical condition. Will not qualify if purchased for cosmetic purposes (for example, to reduce wrinkles), even if recommended by a medical practitioner. Prior to January 1, 2011, a medical practitioner's recommendation is required stating the expense is to treat a specific medical condition. Must be prescribed if incurred after December 31, 2010. See Acne treatment; Cosmetic procedures and Drugs and medicines.
Rogaine	Potentially eligible	Eligible if expense is treating a medical condition. Will not qualify if purchased for cosmetic purposes even if recommended by a medical practitioner. Prior to January 1, 2011, a medical practitioner's recommendation is required stating the expense is to treat a specific medical condition. Must be prescribed if incurred after December 31, 2010. See Propecia and Drugs and medicines.
Safety glasses	Generally no	Eligible if prescription lenses.
Schools and education, residential	Potentially eligible	Eligible if expense is to treat an individual for behavioral, emotional, or addictive conditions (tuition, meals, and lodging) and the principal reason for attending the program is to receive medical care. If a child is at a school because the courses and disciplinary methods have a beneficial effect on the child's attitude, the expenses won't qualify. A medical practitioner's recommendation is required stating the expense is to treat a specific medical condition.

Schools and education, special	Potentially eligible	Eligible if expense is to treat an individual who is mentally impaired or physically disabled to attend a special school (tuition, meals, and lodging) and the principal reason for attending the school is to overcome or alleviate the disability. This includes teaching Braille to a visually impaired person, teaching lip reading to a hearing-impaired person, and remedial language training to correct a condition caused by a birth defect. If a child is at a school because the courses and disciplinary methods have a beneficial effect on the child's attitude, the expenses won't qualify. A medical practitioner's recommendation is required stating the expense is to treat a specific medical condition.
Screening tests	Yes	Must be used for medical diagnosis.
Seeing-eye dog	Yes	See Guide dog.
Sinus medication (OTC)	Yes	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Sleep deprivation treatment	Potentially eligible	Eligible expense if the person is under the care of a medical practitioner. A medical practitioner's recommendation is required stating the expense is to treat a specific medical condition.
Smoking cessation (stop-smoking) programs	Yes	
Spermicidal foam (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Sperm, storage fees	Potentially eligible	Eligible if expense is for temporary storage, but only to the extent necessary for immediate conception.
St. John's Wort (OTC)	Potentially eligible	Eligible if used primarily for medical care. Will not qualify if used to maintain general health. A medical practitioner's recommendation is required stating the item is to treat a specific medical condition.

Stem cell, harvesting and/or storage of	Potentially eligible	Eligible if there is a specific and imminent medical condition that the stem cells are intended to treat. But collection and storage indefinitely, just in case an item might be needed, is not medical care. A medical practitioner's recommendation is required stating the item is to treat a specific medical condition.
Sterilization procedures	Yes	
Sunglasses	Potentially eligible	Prescription sunglasses would qualify.
Sunscreen with high SPF (OTC)	Potentially eligible	Potentially eligible if SPF is 30 or higher and used to alleviate a specific medical condition. Would also qualify if used by a person who has or has had skin cancer or another diagnosed skin disease that is affected by sun exposure. Does not include tanning lotions, make-up or moisturizers, etc., that contain a lower dose of SPF. Prior to January 1, 2011, a medical practitioner's recommendation is required stating the item is to treat a specific medical condition. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Suntan lotion/clothing to block sun	No	
Supplies to treat medical condition (OTC)	Yes	Eligible if the medical supply is used to diagnose or treat a specific medical condition and is not a personal comfort item.
Surrogate expenses	No	
Taxes on medical services and products	Yes	Eligible expense to the extent imposed on reimbursable medical care or products.
Teeth whitening/bleaching	No	
Telephone equipment for hearing impaired-person	Yes	Expense of buying and repairing special telephone equipment for hearing-impaired person.
Television equipment for hearing-impaired person	Yes	Eligible expense for the equipment that displays the audio part of television programs as subtitles for hearing-impaired individuals. Eligible reimbursement is limited to the cost that exceeds cost of regular item.
Thermometers (OTC)	Yes	
Throat lozenges (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.

Toothache and teething pain relievers (OTC)	Potentially eligible	Eligible if expense incurred prior to January 1, 2011. Must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Toothbrushes or toothpaste (OTC)	No	Not eligible even if recommended by dentist to treat medical condition.
Transplants	Yes	Eligible expenses include surgical, hospital and laboratory services and transportation expenses for donors.
Transportation to and from medical conference	Potentially eligible	See Medical conference admission, transportation, meals, etc.
Transportation expenses for person to receive medical care	Yes	Eligible expense if travel is primarily for, and essential to, medical care. Includes car and rental car expenses; parking and tolls. The 2010 standard medical travel mileage rate is 16.5¢ per mile. For January 1 through June 30, 2011, the standard medical travel mileage rate is 19¢ per mile. For July 1 through December 31, 2011, the standard medical travel mileage rate is 23.5¢ per mile.
Transportation expenses for someone other than the person receiving medical care	Yes	Transportation costs of an individual (such as a family member) traveling with the individual receiving medical care will qualify as eligible expenses if the presence of the family member on the trip was indispensable to enable the individual to obtain care, such as a parent traveling with a child or a nurse or other person who gives injections, medication, or other treatment required by a patient who is traveling to get medical care and is unable to travel alone. In addition, an individual who travels to visit a mentally ill dependent, if such visits are recommended as part of treatment.
Umbilical cord blood storage	Potentially eligible	Eligible expense if there is an existing or imminently probable disease that the umbilical cord blood is intended to treat, such a newborn who has a birth defect and the cord blood would be needed in the near future. Collection and storage as a precaution to treat a disease or condition that might possibly develop in the future is not medical care.
Vasectomy/vasectomy reversal	Yes	
Veneers	No	
Viagra	Yes	Eligible expense if prescribed by a physician to treat a medical condition. See

		Drugs and medicine.
Vitamins (OTC)	Potentially eligible	Eligible if used primarily for medical care. Will not qualify if used to maintain general health. A medical practitioner's recommendation is required stating the item is to treat a specific medical condition.
Walkers	Yes	
Weight-loss programs and/or drugs prescribed to induce weight loss	Potentially eligible	Eligible expense if a physician recommends to treat a specific medical condition (such as obesity, heart disease, or diabetes). Will not qualify if only to improve general health. The costs of food associated with a weight-loss program would not qualify. Prior to January 1, 2011, a medical practitioner's recommendation is required stating the expense is to treat a specific medical condition. Drugs and medicines must be prescribed if incurred after December 31, 2010. See Drugs and medicines.
Wheelchair	Yes	
X-ray fee	Yes	Eligible if received for medical reasons.

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