Flexible Spending Accounts

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Introduction

We are pleased to provide you a Health Care and Dependent Care Flexible Spending Account (FSAs), effective 1 January 2010. Aetna is the administrator for the FSAs.

The FSAs are the latest addition to your Navy Exchange System total compensation package. They are evidence of our continuing commitment to provide you with a modern, well-rounded, and comprehensive benefits package that is responsive to you and your family's needs.

Participation in the FSAs is a smart way for you to save on health and dependent care costs while lowering your federal income and Social Security (FICA) taxes.

We hope you are able to take advantage of this valuable benefit program.

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Summary of Benefits

A Flexible Spending Account (FSA) allows you to set aside a portion of your salary in a special account. You can then use the money in your account(s) to reimburse yourself for qualified health care and/or dependent care expenses. Your taxable salary is reduced by the amount you set aside in your account(s), so you pay lower income taxes and Social Security taxes.

Participation in the FSAs is voluntary. You decide whether you would like to participate and how much money you would like to set aside, within the minimums and maximums shown below.

	Health Care FSA Account	Dependent Care FSA Account
Your maximum annual contribution	$2,000	$5,000 See "Additional Limits on Dependent Care FSA Contributions" on page 9.
Your minimum annual contribution	$200	$200
Your minimum reimbursement amount	$20	$20
Annual claim submission deadline	All claims incurred between January 1 through December 31, including any grace period claims, must be received by Aetna by April 30 each year.	All claims incurred between January 1 through December 31, including any grace period claims, must be received by Aetna by April 30 each year.
Plan Year	January 1 through December 31	January 1 through December 31
Grace Period	January 1 through March 15	January 1 through March 15

Eligibility

You can participate in the Flexible Spending Account (FSA) program if you are employed in a regular full-time or regular part-time position. See "Your DFSA" section for additional **DFSA** eligibility requirements. You can sign up for the Health Care FSA only, the Dependent Care FSA only, both FSAs, or neither FSA. Participation is completely voluntary. It is up to you to decide which FSA (if any) meets your needs.

Only employees can enroll in the Flexible Spending Accounts, but the FSAs can be used to reimburse your tax-qualified dependents' eligible expenses, as well as your own.

How to Enroll

You may enroll in the FSAs during the announced Annual Enrollment period by completing an enrollment form. Your completed enrollment authorizes the Navy Exchange Service Command (NEXCOM) to deposit a portion of your earnings into your FSAs before taxes are deducted.

Federal law requires that whatever election you make cannot be changed throughout the applicable Plan year unless you have a "qualified family status change."

When You May Enroll

New Employees: You have 31 days from your date of hire or the date you are eligible to participate in the FSAs. Your election stays in effect until the end of that Plan year. If you do not enroll when initially eligible, you must wait until the Annual Enrollment period.

Annual Enrollment: The Annual Enrollment period is your opportunity to review your benefit needs for the upcoming year, and to change your benefit elections, if necessary. The elections you make will be in effect for the following Plan year.

You must re-enroll each year if you wish to continue your participation.

Family Status Changes: Qualified Family Status Changes allow you to enroll in an FSA within 31 days of the event. See "Making Changes" section on page 4.

Annual Cut-Off Date

Effective October 1 through December 31 of each Plan year, actions listed below will not be allowed for the current year:

- Enrollment whether due to a new hire event or a Qualified Family Status Change.
- Increases in contributions due to a Qualified Family Status Change.

When Participation Begins

New Employees

For a newly-hired (or newly eligible) employee, participation begins the date you enroll within your 31-day eligibility period.

Employment in an eligible position or any eligible status changes (employment category and/or qualifying event) that occur after September 1 will require a participation election before the October 1 annual cut-off date.

Contributions will begin the first day of the next pay period following enrollment. You must complete the enrollment process to participate.

Annual Enrollment

Your annual election will go into effect on January 1.

Making Changes

The IRS requires that your FSA elections stay in effect throughout the full Plan year. Once made, you can't change your election during the year unless you experience a "qualified family status change."

Defining a Family Status Change for the Health Care and Dependent Care FSA

The following are examples of qualified status changes for the FSAs:

- Marriage
- Divorce
- Birth or adoption of a child
- Death of a spouse; child; or parent (providing that the parent is a qualified dependent and claimed on your Federal Tax Form)
- Termination of your spouse's employment
- Commencement of your spouse's employment
- Transition from part-time to full-time work, or from full-time to part-time work, by you or your spouse
- An unpaid leave of absence taken by you or your spouse

If you do not make family status changes within the 31-day period, you will not be allowed to make the change until the next FSA Annual Enrollment period.

If You Have a Family Status Change

You have 31 days from the qualifying event to change your Health Care and/or Dependent Care FSA election. The change in your FSA election must be due to, and consistent with, the change in your family status. (For example, within 31 days of the birth or adoption of a child, you could enroll in the Health Care FSA if you were not already enrolled, or if you were enrolled, you could increase your current annual election for the Health Care FSA, but you could not stop your contributions.) You should contact your Human Resources Office (HRO) immediately after the change takes place to make sure you allow yourself enough time to take the appropriate action. Your HRO will explain the procedure to you.

If You Take a Leave of Absence

Paid Leave of Absence

Your participation in the FSAs will not be affected if you are granted a paid leave of absence. Payroll deductions will continue, and you can still use your FSAs to reimburse yourself for eligible expenses. You may elect a family status change, as explained in "Making Changes," if your change in election is consistent with the circumstances of your leave.

Unpaid Leave of Absence

During an unpaid leave of absence:

Your contributions and participation in the Health Care and/or Dependent Care FSA will stop on the first day of the absence. You can continue to be reimbursed from your Health Care and/or Dependent Care FSA for eligible expenses you incurred while you were actively at work. You will not be reimbursed for expenses incurred during the leave of absence. Any balance in your account from contributions made before your leave can be used for claims incurred upon your return to work.

Upon Return from an unpaid leave of absence:
When you return, the contributions required to meet your election for the Plan year will be recalculated (and therefore will increase) over the remaining pay periods in the year.

Health Care FSA (HFSA) – You will be reinstated fully in the **HFSA** Plan (retroactive to the date your absence began). After reinstatement, you may request reimbursement for expenses incurred at anytime in the year when enrolled.

Dependent Care FSA (DFSA) – You will be reinstated in the **DFSA** Plan as of the date of your return. You may request reimbursement for expenses incurred at anytime in the year when actively participating, except those incurred during a period of unpaid leave of absence.

When Your Employment Ends

HFSA
If your employment ends during the year, your contributions to your **HFSA** end. However, you can still be reimbursed for eligible expenses you incur up to your last day worked, provided your account balance is sufficient. You have until April 30 of the next year to submit claims.

DFSA
If your employment ends during the year, your contributions to your **DFSA** end. However, you can still be reimbursed for eligible expenses you incur up to your last day worked, provided your account balance is sufficient. You have until April 30 of the next year to submit claims.

If You Are Rehired
If you separate from employment and are rehired within the same calendar year, your bi-weekly election for your FSA account(s) will be reinstated. This includes employees rehired after the annual cut off date.

How the Flexible Spending Accounts Work

You fund your FSA(s) by directing a portion of your earnings to your account(s) on a pre-tax basis. You cannot deposit cash directly into your account(s). Once you decide how much you'll contribute for the year, you cannot change your election unless you have a qualified family status change, nor can you transfer money from one FSA to another.

How Much You Can Contribute

You can contribute from $200 to $2,000 to your **HFSA** each year and you can contribute from $200 to $5,000 a year to your **DFSA**. Anyone employed in an eligible position, or any eligible status changes (employment category and/or qualifying event) that occur after September 1 will require a participation election before October 1, the annual cut off date.

Carefully calculate the amount you contribute to your Flexible Spending Accounts. The IRS imposes a "use it or lose it" rule on FSA Plans: you forfeit any money that remains in your account after reimbursement of your eligible expenses for the year. See "Limits and Restrictions" (below) for more information.

Limits and Restrictions

To preserve the favorable tax treatment of your contributions, there are several important limitations that you should understand before participating in the FSAs. First of all, an FSA is what is known as a "use it or lose it" arrangement, which means that if you do not spend all of the money in your account, you lose the unspent balance. Second, you cannot fund your account as you go along — you must decide on an election amount for the year before each year begins — so you have to be careful in calculating your anticipated expenses for the coming year. Once you decide your election amount, you cannot change it during the year unless you experience a qualified family status change. So, you should plan to deposit only as much as you expect to spend in the upcoming year.

Having an **HFSA** limits your tax deductions for health care expenses. Keep in mind that you can deduct unreimbursed health care expenses from your federal income tax only if you itemize your deductions and they exceed the threshold established by the Internal Revenue Service.

To be eligible for reimbursement from the **HFSA**, the expenses must be for you, or a tax-qualified dependent. A tax-qualified dependent is someone for whom you can claim a tax exemption.

Having a **DFSA** limits the tax credits you may be able to take for dependent care expenses. To be eligible for reimbursement from the **DFSA**, the expenses must be for qualified dependents. See "Who Qualifies as a Dependent" on page 17. You can use both the FSA and tax credit, provided you do not claim the same expenses for both. However, federal regulations require that your dependent care tax credit be reduced dollar for dollar by whatever you put into your FSA. You should ask your tax advisor to help you choose the right alternative for your tax bracket.

Establishing an FSA may have an impact on your cash flow until you receive reimbursement. First, your contributions to your account are deducted (pre-tax) from your paycheck. Then to receive a reimbursement* from your account, you must send in a claim form with proof that you either paid for or incurred an eligible expense. Proof of payment would be a receipt, and proof of incurring would be something showing that you (or your dependent) received or were rendered the care or service, and that you have a responsibility to pay for it. You should send in claim reimbursements as soon as possible after you pay for or incur an expense, to reduce your overall cash outflow. Please consider this effect when deciding on your election amount.

* Note: For FSA participants who are enrolled in the Department of Defense (DoD) Nonappropriated Fund (NAF) Aetna health plans, certain expenses can be reimbursed or paid automatically and will not require a claim form. See "Streamlined Submission" and "AutoDebit" in the Claiming Reimbursement section, pages 20 and 21.

You cannot transfer funds between the Health Care and Dependent Care FSAs.

You cannot carry over any unclaimed FSA balances from one year to the next. Any funds remaining in your **HFSA** and/or **DFSA** on December 31 will be forfeited unless they are used to cover expenses incurred during the Plan year or the grace period, and Aetna receives your claim for reimbursement by April 30.

In addition to the yearly limits on what you can direct to your FSAs, the Internal Revenue Service requires Plans to prove that they don't favor "highly compensated" employees. If NEXCOM's FSAs do not pass this test, the contributions made by highly-compensated employees may have to be reduced or reclassified as after-tax contributions. If this happens, NEXCOM will notify those affected.

Additional Limits on Dependent Care FSA Contributions

If Your Spouse Also Contributes to a Dependent Care FSA

The IRS sets additional limits on your contributions if you're married and your spouse has a Dependent Care FSA through his or her employer as follows:

- You are limited to a **combined** Dependent Care FSA contribution of $5,000 in a calendar year. This limit applies whether you have one or more dependents receiving care.
- If you file **separate** federal income tax returns, the most you can contribute is $2,500 a year.
- If you file a **joint return**, you can't contribute more than you earn (or what your spouse earns, if it is less than what you earn for the year, with a $5,000 limit).

If Your Spouse Is Either Disabled or a Full-Time Student

The IRS considers your spouse's earnings to be $250 a month if you have one eligible dependent, and $500 if you have more than one eligible dependent.

How Participating in the FSAs Affects Taxes and Other Benefits

Establishing an FSA can also affect your tax strategy when you file your income tax return. You should consult with a tax advisor before signing up for the FSAs — you can't change your election once you've made it, unless you have a qualified family status change (as explained in "Making Changes" on page 4).

The Tax Advantages

The Internal Revenue Code allows your employer to take the money you direct to your FSAs out of your pay before federal and Social Security (FICA) taxes are deducted. That lowers your taxable income, so you pay less federal income tax and Social Security tax. Depending on where you live, your tax savings could be even greater, since most states recognize the tax-free status of FSA funds. What's more, any reimbursements you receive from your FSAs are free from federal tax as long as you have not taken (or do not intend to take) a tax deduction or credit for related expenses when you file your federal tax return.

Limits on Deductions

Participating in the FSAs can affect your tax strategy when you file your income tax return.

Setting up an HFSA limits your deductions for health care expenses. Keep in mind, that you can deduct unreimbursed health care expenses from your federal income tax only if they exceed the annual threshold established by the Internal Revenue Service.

Using your DFSA for dependent care expenses limits the tax credits you can take for those expenses. The federal income tax credit lets you subtract a percentage, based on your taxable income, of your expenses for dependent care from the federal taxes you owe. You can use both your DFSA and the tax credit, but you can't claim the same expenses for both. Whatever you apply toward your federal income tax credit is reduced dollar for dollar by what you contribute to your DFSA. Please consult your own tax advisor about changes in these amounts and your specific situation.

Impact on Other Benefits

Employer-Sponsored Benefits

While you are “reducing” your pay for tax purposes, your pay-related benefits (for example, any employer-sponsored life and pension benefits) are not reduced. Your benefits from these Plans will be based on your compensation before any amounts are deducted.

Social Security

Since your Social Security (FICA) taxes are based on your reduced pay, your future Social Security benefits may be slightly lower.

Your Flexible Spending Account Statements

In June and December, Aetna will send you a statement showing the status of your FSAs. The statement will display accrued amounts and any account activity.

The Explanation of Payment (EOP) that Aetna issues with each reimbursement is also a good source of information. The EOP details the amount reimbursed and your current account balance. You can access information about your FSA account status 24 hours a day, 7 days a week using Aetna Navigator®. Access Aetna Navigator through the Aetna Internet website home page at www.aetna.com or directly via www.aetnanavigator.com. In addition to finding information about your FSA account(s), you can register to have paper EOPs suppressed and receive an e-mail notification and an electronic EOP each time an FSA claim is paid.

Your HFSA

You do not have to be enrolled in the Aetna Medical/Dental Plan or a NEXCOM sponsored Health Maintenance Organization (HMO) to enroll in the **HFSA**.

The **HFSA** lets you pay many of your otherwise unreimbursed health care expenses with tax-free dollars. Since not every health care expense you incur is eligible for reimbursement through your FSA, it is important to know which are reimbursable and which are not.

If an expense is covered under any other plan(s), you cannot submit it for reimbursement under your HFSA until the expense has been considered by the other plan(s).

Eligible Health Care Expenses

You can use your **HFSA** to reimburse yourself for health care expenses that are considered "medical care" under section 213(d) of the Internal Revenue Code, as long as the expenses are not reimbursed by any health care plan. Tax rules change, so you should check with your tax advisor about the eligibility of specific expenses.

You can find additional information about eligible health care expenses from IRS Publication 969 "Health Savings Accounts and Other Tax-Favored Health Plans," or Publication 502, "Medical and Dental Expenses," available from your local IRS office and on the IRS website at **http://www.irs.gov**.

- Acupuncture
- Ambulance service
- Artificial limbs
- Auto equipment such as special hand controls to assist the physically disabled
- Braille books and magazines
- Chiropractic care
- Contact lenses needed for medical reasons
- Contraceptives

- Crutches
- Dental treatment
- Drug abuse inpatient treatment
- Drugs that do not require a physician's prescription (over-the-counter medications), as long as they are for medical care, and not merely beneficial to your overall general health. Examples of reimbursable expenses include charges for pain relievers, cold and fever remedies, antibiotic ointments, and allergy medications.
- Eye exams, lenses, and frames
- Procedures such as in vitro fertilization (including temporary storage of eggs or sperm), and infertility surgery, including an operation to reverse a prior sterilization procedure
- Guide dog or other animal used by a visually-impaired or hearing-impaired person
- Health care copayment, deductible and coinsurance amounts
- Health care expenses that are above the customary charge or health care plan maximums
- Hearing exams and hearing aids
- Hospital services
- Laboratory fees
- Laser eye surgery
- Lead-based paint removal to protect a child who has, or who has had, lead paint poisoning from continued exposure
- Legal fees directly related to committing a mentally ill person
- Lodging while you receive medical care away from home. Care must be provided by a doctor in a licensed hospital or treatment facility, and the lodging must be primarily for, and essential to, medical care.
- Long term care services required by a chronically ill person, if provided in accordance with a plan of care prescribed by a licensed health care practitioner

- Medical information plan that maintains your medical information so it can be retrieved from a medical data bank for your medical care
- Medical services and supplies
- Mental health care
- Organ donor expenses
- Osteopathic services
- Oxygen and oxygen equipment
- Prescription drugs
- Psychiatric care
- Smoking cessation programs
- Specialized equipment for the disabled, including:
  - cost and repair of special telephone equipment that allows a hearing-impaired person to communicate over a regular telephone, and equipment that displays the audio part of television programs as subtitles for hearing-impaired people.
- Sterilization surgery
- Termination of pregnancy
- Transportation expenses if primarily for, and essential to, medical care
- Wheelchairs

If you have any questions about what's considered an eligible expense under the **HFSA**, you can call Aetna FSA Member Services at **1-800-416-7053**.

You can also contact your local IRS office or visit the IRS website at **http://www.irs.gov**.

Ineligible Health Care Expenses

Just as important as understanding what is eligible for reimbursement through your **HFSA** is knowing what is not generally eligible, including the following:

- Expenses for which you have already been reimbursed by other health care plans (including Medicare, Medicaid, and NEXCOM's or any other Medical, Dental and Vision Care Plans)
- Expenses incurred by anyone other than you or your qualified dependents
- Expenses that are not deductible on your federal income tax return
- Babysitting, child care, and nursing services for a healthy baby. This includes the cost of a licensed practical nurse (L.P.N) to care for a healthy newborn.
- Controlled substances
- Cosmetic dental work
- Cosmetic surgery (any procedure to improve the patient's appearance that does not meaningfully promote the proper function of the body, or prevent or treat illness or disease)
- Custodial care in an institution
- Diaper service
- Electrolysis
- Funeral and burial expenses
- Health care plan contributions, including those for Medicare, your spouse's employer's plan, or any other private coverages
- Health club dues
- Household help, even if such help is recommended by a physician
- Illegal medical services or supplies
- Maternity clothing
- Medical Savings Account (MSA) contributions

- Over-the-counter health aids that do not treat a specific medical condition, including those recommended by your physician
- Over-the-counter drugs that are beneficial to health, but are not prescribed for medical care (for example: vitamins, weight loss aids)
- Nutritional supplements, unless obtained legally with a physician's prescription
- Personal use items, unless the item is used primarily to prevent or alleviate a physical or mental defect or illness
- Prescription drugs for cosmetic purposes
- Weight-loss programs not prescribed by a doctor
- Special schooling for a special needs child, even if the child may benefit from the course of study or disciplinary methods
- Transportation to and from work, even if a physical condition requires special means of transportation
- Up-front patient administration fees paid to a physician's practice
- Vitamins or minerals taken for general health purposes

You can use the **DFSA** to reimburse yourself with tax-free funds for certain dependent care expenses incurred because you (and your spouse, if you are married) work or are looking for work. **Tax rules change, so you should check with your tax advisor about the eligibility of specific expenses, and any tax forms.**

You can get additional information about **DFSA**s from IRS Publication 503 "Child and Dependent Care Expenses," which is available from your local IRS office and on the IRS website at **http://www.irs.gov**.

Eligibility

If you are married, you may participate in the **DFSA** only if your spouse:

- Works full-time or part-time;
- Is actively looking for work; or
- Has no earned income for the year and:
  - is a full-time student for at least five months of the year; or
  - is incapable of caring for himself or herself or for the dependent.

Who Qualifies as a Dependent

You can use your **DFSA** to cover the expenses of dependents, who are defined as:

- Children who are under age 13 when the care is provided, and for whom you can claim an exemption on your federal income tax return;
- Your spouse who is mentally or physically incapable of self-care; and
- Your dependent who is physically or mentally incapable of self-care, and for whom you can claim an exemption (or could claim as a dependent if he or she didn't have a gross annual income of $3,000 or more).

You can use your DFSA to pay expenses for a qualifying child for whom you have joint custody if you pay more than half of the child's support and have custody during the year longer than the other parent. The costs associated with caring for the elderly also qualify for reimbursement if they live in your home at least eight hours a day and are completely incapable of caring for themselves.

Eligible Dependent Care Expenses

The DFSA is strictly monitored by the IRS, and only those expenses that comply with Section 129 of the Internal Revenue Code of 1986 are covered. Keep in mind that the expenses must be work-related to qualify as eligible expenses. The IRS considers expenses "work-related" only if they meet both of the following rules:

- They allow you (and your spouse) to work or look for work; and
- They are for the care of a qualified person.

You can pay the following work-related expenses through your DFSA:

- Wages paid to a baby sitter, unless you or your spouse claims the sitter as a dependent. Care can be provided in, or outside of your home.
- Services of a Dependent Care Center (such as a day care center or nursery school) if the facility:
  - provides care for more than six individuals (other than those who reside there),
  - receives a fee, payment, or grant for providing its services, and
  - complies with all applicable state and local laws and regulations.
- Cost for adult care at facilities away from home, such as family day care centers, as long as your dependent spends at least eight hours at home.
- Wages paid to a housekeeper for providing care to an eligible dependent. Household services, including the cost to perform ordinary services needed to run your home which are at least partly for the care of a qualifying individual, are covered as long as the person providing the services is not your dependent under age 19 or anyone you or your spouse claim as a dependent for tax purposes.

If you have any questions about what's considered an eligible expense under the **DFSA**, you can call Aetna FSA Member Services at **1-800-416-7053**.

You can also contact your local IRS office or visit the IRS website at **http://www.irs.gov**.

Ineligible Dependent Care Expenses

You cannot use your DFSA to reimburse yourself for services that:

- Allow you to participate in leisure-time activities;
- Allow you to attend school part-time;
- Enable you to attend educational programs, meetings, or seminars; or
- Are primarily medical in nature (such as in-house nursing care).

Claiming Reimbursement

When You Can File Claims

Only expenses incurred during the Plan year and the grace period are reimbursable through your FSA for that year. You have until April 30 of the following year to submit a claim for expenses incurred the year before. Claims must be received at Aetna by April 30, to be eligible for reimbursement.

Where to Find Claim Forms

Claim forms are available from the Aetna FSA website at **www.aetnafsa.com**, or from your HRO. You may also call Aetna FSA Member Services at **1-800-416-7053** for assistance in obtaining a form.

Remember you do not need to be enrolled in the Aetna Health Plan or a NEXCOM sponsored HMO to submit a claim.

Streamlined Submission

Streamlined claim submission is a claim submission process that allows you to have your DoD NAF Aetna health care expenses automatically considered for reimbursement by your **HFSA**. Each time a claim is submitted to Aetna for payment, any unreimbursed expenses are sent automatically to the Flexible Spending Account system for processing. You do not have to submit a claim form in most instances. (If Aetna cannot process a claim automatically, you will receive a request from Aetna to submit a paper claim.)

AutoDebit For Prescription Drug Reimbursement

The AutoDebit feature further simplifies the FSA reimbursement process for your DoD NAF Aetna prescription drug benefit. When you fill a prescription at a participating Aetna pharmacy, show your Aetna ID card. Your prescription drug copay will be drawn from your **HFSA** balance. You pay nothing out of your pocket at the time you purchase the prescription, and you do not have to submit a claim form.

Streamlined/AutoDebit Opt Out Option

Aetna participants are automatically enrolled in the Streamlined/AutoDebit feature.

If you make the decision to opt out of the Streamlined/AutoDebit feature, you will cancel both features (for example, you cannot opt out of the Streamlined feature and keep the AutoDebit feature). If you choose to opt out of these features, you can do so by contacting Aetna FSA Member Services at **1-800-416-7053** or through the Aetna Navigator member website at **www.aetnanavigator.com** (the Streamlined claims option is under the "Claims and Balances" section).

The Streamlined submission and AutoDebit features are only available to Aetna participants.

Important Note:
If you are eligible for coverage under another health care plan, the other plan(s) must also consider any expense before it is submitted for reimbursement by your **HFSA**. Therefore, you should submit paper claims. The Streamlined submission and AutoDebit processes are not appropriate for your situation.

Documenting Your Claim

Health Care Expenses

When you submit a claim for reimbursement from your **HFSA**, you must provide a copy of:

- The Explanation of Benefits (EOB) you received from your (or your dependent's) health care plan showing how much, if any, of your claim was paid; or
- Itemized bills from suppliers for expenses not covered by any health care plan. The itemized bill should include the following information:
  - Patient name,
  - Diagnosis,
  - Service or service provided,
  - Amount charged, and
  - Date of service.

Your claim will not be accepted if the required information is not provided. You can use the "Flexible Spending Account Health Care Reimbursement" form to ensure that your claim submission contains all of the required information. Copies of the form are available from Aetna FSA Member Services, on Aetna's website (visit the Forms Library on Aetna Navigator), and from your HRO.

Your **HFSA** includes a minimum (refer to the Summary of Benefits). If your claim for reimbursement is less than the Plan's minimum, the claim will be processed, but reimbursement will not be issued until:

- You submit additional covered expenses, and the accumulated total reaches the Plan's minimum;
  or
- The end of the Plan year.

Dependent Care Expenses

To file a claim for reimbursement, complete the "Dependent Care Reimbursement" form. Copies of the form are available from Aetna Member Services, on the Aetna website and from your HRO. You must provide the following information in your claim submission:

- Dependent's name;
- Provider's name, address and tax ID (or Social Security) number;
- The cost, nature, and place of the service(s) performed;
- Proof of payment*; and
- An indication of whether the provider is related to you and, if so, how (if the provider is your child, you must also include the child's age).

* You can ask your dependent care provider to sign the claim form as verification of payment. Detailed bills or receipts are also considered acceptable documentation for dependent care expenses.

You are also required to report your provider's taxpayer identification number or Social Security number when you file your tax return.

Reimbursement

Aetna processes FSA claims as they are received, and issues FSA claim payments weekly on Friday.

You can be reimbursed through your HFSA for qualifying health care expenses up to the annual amount you elected at enrollment, even if all of it hasn't been deducted from your paychecks.

You can be reimbursed for dependent care expenses only up to the amount in your Dependent Care FSA when you file a claim. Any unpaid amounts still due you will be processed in the next claim cycle when (and if) you have enough money in your DFSA to cover them.

You will receive an Explanation of Payment (EOP), which reflects the status of your account, each time you receive a reimbursement (for example, the amount of the claim, how much of it is eligible for reimbursement, what's been paid to date from your FSA, any amounts still payable, and any balance remaining in your account).

Qualified Reservist Distributions

The Heroes Earnings Assistance and Relief Tax (HEART) Act of 2008, H.R. 6081 provides a special rule for unused benefits in health flexible spending accounts for individuals called to active duty (if criteria apply as defined by the law).

Year End Balances

If any balance is left in your FSA(s) at the end of the year and the grace period, and claims for that balance are not received by Aetna by April 30 of the following year, the remaining balance will be forfeited to the Plan (except in approved cases in compliance with USERRA, HEART of 2008, H.R. 6081).

If you have any questions about your **HFSA** or **DFSA** claims, call Aetna FSA Member Services at **1-800-416-7053**.

How to Appeal a Denied Claim

If your claim is entirely or partially denied, the reason(s) for the denial will appear on the Explanation of Payment (EOP) you receive from Aetna.

Please note:
If Aetna does not process your FSA claim because information is missing from your claim submission, Aetna will notify you in writing of the specific information required to complete processing. This is not considered a denied claim.

HFSA Claims

If you think your claim has been wrongfully denied, you have 180 calendar days after receiving the written denial to request a review. Your request for a review, called an appeal, must be submitted to Aetna in writing. Be sure to explain why you think you are entitled to reimbursement, and attach any documentation that will support your claim. You may have a qualified person represent you at your own expense, and you have the right to examine the relevant portions of any documents that Aetna referred to in its claim processing. If Aetna denies your claim, you also may request a review by NEXCOM within 30 days of receiving the Aetna denial letter. NEXCOM will provide you a written response within 60 calendar days. (If a longer period is required, you will be notified in writing.) The decision of NEXCOM on appeal of denied claims is final and binding.

You can also follow this procedure if you do not receive any response to your claim within 30 days after you've initially filed it with Aetna.

DFSA Claims

If you think your claim has been wrongfully denied, you have 60 calendar days after receiving the written denial to request a review. Your request for a review, called an appeal, must be submitted to Aetna in writing. Be sure to explain why you think you are entitled to reimbursement, and attach any documentation that will support your claim. You may have a qualified person represent you at your own expense, and you have the right to examine the relevant portions of any documents that Aetna referred to in its claim processing. If Aetna denies your claim, you also may request a review by NEXCOM within 30 days of receiving the Aetna denial letter. NEXCOM will provide you a written response within 60 calendar days. (If a longer period is required, you will be notified in writing how much longer it will take.) NEXCOM's decision is final and binding.

You can also follow this procedure if you do not receive any response to your claim within 30 days after you have initially filed it with Aetna.

If you have any questions regarding the claims appeal process, or if you need assistance filing your appeal, contact Aetna FSA Member Services at 1-800-416-7053.

General Information About the Plan

Employer/Plan Sponsor	Navy Exchange Service Command 3280 Virginia Beach Boulevard Virginia Beach, VA 23452-5724
Plan Year	The Plan Year runs from January 1 to December 31
Plan Administrator	Aetna, Inc P.O. Box 4000 Richmond, KY 40476-4000 **1-800-416-7053**

Amendment or Termination of the Plan

NEXCOM has the right to amend or terminate the Plan, in whole or in part, at any time. If a change is made, you will be notified.

The establishment of an employee benefit plan does not imply that employment is guaranteed for any period of time or that any employee receives any non-forfeitable right to continued participation in any benefits plan.

Plan Documents

This employee booklet covers the major features of the Flexible Spending Account program administered by Aetna Life Insurance Company, effective January 1, 2010. This employee booklet has been designed to provide a clear and understandable summary of the Plan. However, in the event of any discrepancy between the booklet and the Contract, the Contract will control.

NEXCOM
Navy Exchange
Service Command

CCG #09-0707 (10/2009)