



## **ORTHODONTIA AND YOUR FLEXIBLE SPENDING ACCOUNT**

Orthodontia is a medical expense for which you can use your Health Care Reimbursement FSA dollars, but it can be tricky because of the extended nature of the treatment and the manner in which fees are paid to providers.

The information below is intended to provide guidance on the issues regarding orthodontia and the Health Care Reimbursement FSA; however, we strongly encourage any participant with questions to call OutsourceOne before beginning treatment.

### **What issues are there if I use my Health Care Reimbursement dollars for orthodontic expenses?**

Orthodontic treatment is usually provided over an extended period of time, including an initial examination, installation and monthly adjustments. The services are often paid for over an extended period of time with an initial down payment (maximum 20% of total fee) and monthly payments over the life of the contract.

Because the Health Care FSA only provides reimbursement based on when services are *incurred* and services can span over a number of years, it is difficult to determine when reimbursement is appropriate.

### **What are the rules?**

IRS rules for reimbursement of eligible expenses through a Flexible Spending Account state:

- An individual may only be reimbursed for expenses incurred while a participant is on the plan.
- An expense is incurred when the service is incurred – not when it is billed or paid.
- The participant must submit documentation showing that the expense has been incurred (service has been provided).
- The expense must be reimbursed from funds allocated for the plan year in which the expense was incurred. Expenses or unused funds cannot be carried over to a different plan year.

### **What options are there for reimbursement?**

There are two ways in which you can get reimbursement.



Based on incurred date or date of service: The rule still applies in that expenses may only be reimbursed after they have been incurred, which means after the actual service has been provided.

Similar as any other medical expense, you must submit a statement from the orthodontist showing that a service has been provided and stating the cost of that service.

Fee payment schedule: You must submit a treatment plan from the orthodontist that includes the total cost of the treatment, the expected length of the treatment, the down payment amount, and the monthly fee to be reimbursed.

Once treatment begins, you will then need to submit proof once payment is made according to the payment schedule in order to be reimbursed.

For example, suppose the total cost of treatment is \$3,000 and is expected to last 24 months. The contract calls for a down payment of \$600 and a monthly charge of \$100 for 24 months. You may be reimbursed the \$600 upon receipt of documentation showing that the initial service has been provided and payment has been made. The plan will reimburse \$100 per month upon receipt of documentation showing that the monthly payment has been made.

Documentation could either be a receipt from the orthodontist showing that payment has been received for the current month's scheduled charge, or a photocopy of the current month's payment coupon and the participant's personal check.

### **What if I receive a discount for paying the entire cost of the treatment up front?**

This is a very common question. Remember, an expense is incurred when the service is incurred, not when you are billed or make payment. If you pay the entire cost of your

#### **IMPORTANT REMINDERS**

You cannot pre-pay for services and be reimbursed at the time of that payment. You can only be reimbursed as services are provided.

If a total payment is made up front for the treatment, the participant still must submit a treatment plan and the payments will be disbursed over the course of the length of treatment.

If you decide to pay off the contract early while the treatment is still continuing, you can only be reimbursed as services are provided.

If the treatment is completed sooner than expected and you decide to pay off the remainder of the contract early, you can be reimbursed for that payment because the services are complete.



treatment up front, you will still need to submit a fee payment schedule to determine the amount of your monthly reimbursement. Submit the fee schedule along with a copy of your payment receipt to show that you have made payment, and you will be eligible to be reimbursed on a monthly basis the amount calculated on your fee schedule.

### **If I submit a fee schedule, will I be automatically reimbursed?**

Submission of a fee schedule is for information purposes only – it does not constitute an actual request for reimbursement. You will still need to submit requests for reimbursement from your flexible spending account. Reimbursement requests can be submitted monthly, quarterly, semi-annually, or whatever your preference is.

You may submit multiple requests for reimbursement at one time. For example, if you know your treatment is going to last 12 months, you can submit 12 requests for reimbursement (one for each month of treatment – please label each request clearly) at the beginning of treatment. OutsourceOne will keep these requests on file and process your reimbursements on a monthly basis.

### **What if treatment ends sooner than the fee schedule states?**

If treatment ends sooner than estimated, you can receive reimbursement for the balance of your treatment cost. You will need to submit documentation from the orthodontist showing the date that treatment was completed, along with a reimbursement request for the remaining balance on your fee schedule.

### **Do I need to submit a letter of medical necessity?**

Yes, OutsourceOne requires a letter of medical necessity as orthodontic treatments can be considered cosmetic.

### **Who may I call if I have further questions?**

OutsourceOne is the administrator of our plan. The Flex Department can be reached at:

Customer Service:

Phone (612) 436-2778

Toll free (877) 491-5979

[flex@outsourceone.com](mailto:flex@outsourceone.com)

Claims Submission:

Fax: (612) 335-9217

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