

CAS Premier Health, LLC

106-A Ridgeview Drive
Cary, NC 27511
(919) 319-6363 or (919) 319-4994 or (919) 272-4158
Fax (919) 319-1331
caspremier@aol.com or cstevens@trianglefamilycare.com

After a thorough review of the pertinent IRS regulations regarding Section 125 plans such as FSAs (flexible spending accounts), HSAs (healthcare savings accounts), MSAs (medical savings accounts), and/or HRAs (health reimbursement accounts), the following is what I have learned:

1) As defined in IRS Publication 502 which can be accessed at http://www.irs.gov/publications/p502/ar02.html#en_US_publink100014845, "Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and the costs for treatments affecting any part or function of the body. They include the costs of equipment, supplies, and diagnostic devices needed for these purposes. They also include dental expenses. Medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness. They do not include expenses that are merely beneficial to general health, such as vitamins or a vacation. Medical expenses include the premiums you pay for insurance that covers the expenses of medical care, and the amounts you pay for transportation to get medical care. Medical expenses also include amounts paid for qualified long-term care services and limited amounts paid for any qualified long-term care insurance contract."

Other pertinent information from Publication 502 is:

- a) You can include in medical expenses the amount you pay for an annual physical examination and diagnostic tests by a physician. You do not have to be ill at the time of the examination.
- b) You can include in medical expenses amounts you pay for legal medical services provided by physicians or other medical practitioners.
- c) You can include in medical expenses wages and other amounts you pay for nursing services. The services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse. This includes services connected with caring for the patient's condition, such as giving medication or changing dressings, as well as bathing and grooming the patient. These services can be provided in your home or another care facility.

As CAS Premier Health does provide for an annual physical through Triangle Family Care/Dr. Stevens and other services that, though are not covered by insurance, are defined above as medical expenses (such as after hours visits, home visits, telephone consultations, email consultations, etc.), the annual membership fee should be a legitimate medical expense for any FSA, HSA, MSA or HRA. The only potential problem is that you may have to actually have received the services before they are reimbursable to you. This means that any medical services received while a member of CAS during a calendar year can't be reimbursed until after they have happened. If requested, CAS will provide to you in December of each calendar year, a

statement reflecting the services you received that were not covered by your health insurance or were only partially covered by your health insurance so that these medical expenses can then be reimbursed to you from your Section 125 Plan.

For example, during the calendar year you have your annual physical (which is valued at \$280.00); you have 5 ten-minute telephone consults at \$5.00/minute and 10 ten-minute email consultations at \$5.00/minute; you have one office visit after hours and the value of the "after-hours" component is \$50.00; you have 10 extended office hour visits that are 20 minutes longer than "usual" at \$5.00/minute; and one home visit and the value of the home visit component is \$100.00. In December of that calendar year you would be given a statement that would look like this:

Date of Service	Provider	Patient	Service	Amount	Amount covered by Insurance	Amount requested from Section 125 Plan
1/25/2010	Dr. Stevens	Mrs. XYZ	Physical	\$280.00	\$150.00	\$130.00
3/4/2010	Dr. Stevens	Mrs. XYZ	Phone Consult	\$50.00	\$0	\$50.00
3/7/2010	Dr. Stevens	Mrs. XYZ	Email Consult	\$50.00	\$0	\$50.00
5/2/2010	Dr. Stevens	Mrs. XYZ	Phone Consult	\$50.00	\$0	\$50.00
6/9/2010	Dr. Stevens	Mrs. XYZ	After hours consult	\$50.00	\$0	\$50.00
7/4/2010	Dr. Stevens	Mrs. XYZ	Home visit	\$100.00	\$0	\$100.00
etc.						\$430.00

Let's say you deposit over the year into your Section 125 plan, \$1080.00. If the total amount requested from your Section 125 Plan is less than this amount, then you would be reimbursed the amount requested. If the amount requested is more than \$1080.00, then you could only be reimbursed to a maximum of \$1080.00. It is very likely that most all members of CAS will use benefits, defined by the IRS as medical expenses, which will at least cost \$1080.00.

I hope this information is useful to you in making your decision.