2009 Annual Open Enrollment for Flexible Benefits & Health Insurance Plans

Monday, November 3 to Friday, November 21, 2008

■ Deductions begin with Pay Period 1–2009, paid on January 8 ■

SANTA BARBARA COUNTY
Human Resources

NEW ~ Your current health insurance plan coverage will remain in place for the full 2009 calendar year unless you make changes during this open enrollment.
There are no medical, dental or vision premium changes for the 2009 year and there will be no health insurance open enrollment period for July 1, 2009.

Changes to your coverage will only be allowed during the 2009 calendar year when you have a qualified "change in status" (e.g. birth, death, marriage, divorce, adoption, spouse's loss of coverage, etc.). See page 5 for more information.

What Should I Know About This Open Enrollment?

Beginning January 1, 2009 and every year afterwards both enrollment periods, health insurance and flexible benefits, will be combined and changes will be effective on January 1. Even though we just completed open enrollment for health insurance you now have an opportunity to enroll in a different plan or to add or drop dependents from your health coverage beginning January 1.

Important Information to Consider

- There are no changes to the Flexible Benefits Plan options for 2009. See page 2 for a list of your plan choices.
- **Flexible Spending Accounts (FSA)** – If you are enrolled in a 2008 FSA for Health Care or Dependent Care, you must re-enroll for 2009. There is no carry over of your current FSA deduction. You may access your 2008 FSA account funds for services through March 15 and can file for reimbursement until June 15, 2009. See page 3.
  - Your 2009 enrollment in a Health FSA will now happen at the same time as your annual health insurance plan selection. Synchronizing these two enrollments will help you better predict your out-of-pocket medical costs so you can get the most benefit out of your Health FSA. Also, see the Health Savings Account bullet below for information on setting up a Health Savings Account instead of re-enrolling for an FSA.
- **Optional Life Insurance and Accident Insurance** – If you are enrolled in either of these plans, your current coverage will continue into 2009. If you want to change your coverage level or dependents who are covered, you must complete a new enrollment form. Life and accident plans each have a separate enrollment form you must complete as well as the Flexible Benefit Plan enrollment form included with this brochure.
- **Health Insurance Enrollment** – There are no changes in health insurance premiums for 2009. Also, there will be no health insurance open enrollment period in July 2009, so unless you make changes to your medical, dental or vision insurance now for January 2009, your current health plan choices and dependent coverage will remain in effect for the entire 2009 calendar year unless you have a qualified "change in status" (see the following bullet).
  - Because our health plans and flexible spending plans will now be on the same calendar plan year and are part of an IRS qualified cafeteria plan which allows your deductions to be pre-tax dollars, any changes that you want to make in your coverage during the year must be the result of a qualified "change in status" (see "Changing Plan Selections" under "Some Final Important Notes" on page 5 of this announcement).
- **Health Savings Account or Flexible Spending Account?** If you currently have a Health Care FSA, consider enrolling in the High Deductible PPO health plan. When you do, you are eligible to start a Health Savings Account (HSA) and receive up to $900 ($34.62 biweekly) in HSA contributions from the County in 2009. You may also be eligible to roll your existing FSA funds into your new HSA if you were enrolled in the FSA in 2006. Unlike FSA accounts, funds in an HSA account will rollover each year with no "use it or lose it" penalty and you can start, stop or change contribution amounts at any time. Note that the IRS does not allow you to be enrolled in both our FSA plan and hold an HSA account. See page 7 for more details on qualifying for an HSA account and for more information on rolling over your Health FSA balance to an HSA go to **www.sbcountyhr.org/benefits/flexspend.html**.
- **Dental Plans** – There are no changes to the County dental plans being offered. Your current enrollments will continue through December 2009 unless you make changes to your coverage.
- **Vision Coverage** – If you are not currently enrolled in the County's VSP Vision Plan, this is your chance to enroll for 2009.

After this open enrollment closes, your next opportunity to change your flexible benefits and health plan choices will be in November 2009 for the 2010 plan year unless you have an IRS qualified "change in status" (see page 5 for situations when you can make plan changes).
This is your once a year opportunity to make your Flexible Benefit and Health Insurance coverage changes.
Please choose carefully because your choices will remain in place for the *full 2009* calendar year.

To Enroll

Flexible Benefits – Fill out the Flexible Benefits Plan enrollment form (and Life or Accident enrollment forms, if necessary)
Health Insurance – Fill out the Enrollment / Change form for the Aetna, Kaiser, Golden West or VSP plan you are enrolling in or making changes to

Return all forms to Human Resources, Employee Benefits Division by interoffice or U.S. Mail (see page 6 for address)
by Friday, November 21 (Postmarks accepted).

This is your once a year enrollment option for the 2009 calendar year. See page 2 for the Open Enrollment Meeting Schedule.

What Are My Plan Choices?

Flexible Benefit Plan options include:

A. Pre-Tax Health Insurance Premiums
B. Flexible Spending Account (FSA) Plans
(these plans require a new enrollment form each year)
1. Health Care
2. Dependent/Child Care
C. Optional Group Term Life Insurance
D. Personal Accident Insurance

FSA/HSA Rollover Option for 2009 – If you currently have a Health Care FSA and had an FSA in September 2006, you may be eligible to start an HSA with your 2008 year end FSA balance.

See the HSA plan information on page 7 of this brochure.

No enrollment form is needed to continue your current pre-tax health deductions or life & accident coverage.

Medical Plan options include:

Aetna Plans (available to all areas):

HMO Plans: Low Option & High Option
POS: Point of Service – hybrid HMO & PPO
PPO Plans:
1. Open Access Plan, a traditional PPO
2. High Deductible PPO – the higher deductible qualifies an employee to set up a Health Savings Account (HSA) and receive County contributions to the account

Kaiser Plans (available to Ventura County only):

HMO Plans: Low Option & High Option

Dental Plan options include:

Self-Funded Dental Plan and
Golden West Pacesetter Dental HMO Plan

Question & Answer Meetings

Employee Benefits staff & Health Insurance reps will be available to answer your questions, distribute plan materials and help you enroll.

Open Enrollment Meetings

Santa Barbara	Wednesday, Nov. 5…noon to 3:00 pm	Board of Supervisors Hearing Room, 105 E. Anapamu Street
	Wednesday, Nov. 12…9:00 am to noon	Social Services Training Room, 234 Camino Del Remedio
	Tuesday, Nov. 18…9:00 am to noon	Public Health Auditorium, 300 N. San Antonio Road
	Tuesday, Nov. 18…2:00 to 4:00 pm	Planning Commission Hearing Room, 123 E. Anapamu Street
Santa Maria	Thursday, Nov. 6…noon to 3:00 pm	Board of Supervisors Hearing Room, 511 E. Lakeside Parkway
	Wednesday, Nov. 19…1:00 to 3:00 pm	Workforce Resource Center, Sutter Room, 1410 S. Broadway
Lompoc	Tuesday, Nov. 4…10:00 am to noon	Social Services, Endeavor Room, 1100 W. Laurel Avenue
	Thursday, Nov. 20…noon to 2:00 pm	Administration Building 1st floor Conference Room, 401 E. Cypress Avenue

Health Savings Account Meetings

Santa Barbara	Wednesday, Nov. 5…noon to 3:00 pm	HR Basement Conference Room, 105 E. Anapamu Street
	Wednesday, Nov. 12…9:00 am to noon	Social Services, QC Room, 234 Camino Del Remedio
	Tuesday, Nov. 18…2:00 to 4:00 pm	Public Health, Room C-3, 300 N. San Antonio Road
Santa Maria	Thursday, Nov. 6…noon to 2:00 pm	BOS Conference Room, 511 E. Lakeside Parkway
	Wednesday, Nov. 19…1:00 to 3:00 pm	Work Force Resource Center, Mariposa Room, 1410 S. Broadway
Lompoc	Tuesday, Nov. 4…10:00 am to noon	Social Services, Apollo Room, 1100 W. Laurel Avenue
	Thursday, Nov. 20…noon to 2:00 pm	Administration Building 1st floor Conference Room, 401 E. Cypress Avenue

Why Should I Enroll in the Flexible Benefits Plan?

Who Is Eligible to Participate?

All regular full and part-time employees are eligible to participate. Sorry, extra help and contractors are not eligible for this program.

Tax Advantages

This is a cafeteria tax-savings program under Internal Revenue Service Code Section 125 which allows you to pay for a variety of health, dependent care, life, and accident insurance expenses with pre-tax dollars. Any pre-tax item you select through this program costs you less because the salary and benefit allowance dollars you use to pay for it are not taxed (federal, state, or social security taxes). The Flexible Benefits Plan options you select will be taken out of your earnings before federal income and social security taxes are deducted. This allows you to reduce your taxable income and, at the same time, continue to meet your dependent care and medical expenses.

Here's an example of how pre-tax dollars work – Let's take the case of a single employee who makes $40,000 a year. This employee puts $500 in the Health Care FSA to pay for expenses that are not covered by his/her health plan. Look at the chart on the right to see the savings created by paying for these expenses with pre-tax dollars.

Single Employee (using 2008 tax rates)	WITHOUT PRE-TAX DOLLARS	WITH PRE-TAX DOLLARS	TAX SAVINGS
Gross Pay	$40,000	$40,000	
Salary Reduction for Health Care Expenses	-0-	– $500	
ADJUSTED SALARY	$40,000	$39,500	
Federal Taxes	– $5,824	– $5,699	$125
State Taxes	– $1,507	– $1,467	$ 40
FICA Taxes	– $2,480	– $2,449	$ 31
TOTAL NET INCOME	$30,189	$29,885	
Health Care Expenses (after taxes)	– $500	-0-	
SPENDABLE INCOME	$29,689	$29,885	$196

Because this employee chose to set up a Health Care Flexible Spending Account for $500 in 2009 and paid for health care expenses with pre-tax dollars, his/her taxable income was reduced and $196 in taxes was saved. **This represents a 39% savings in out-of-pocket health care costs.**

Flexible Benefit Plan Options Available

A. Pre-Tax Health Insurance Premiums – This option allows you to pay for all County medical, dental and vision insurance plan premiums with pre-tax salary deductions. This reduces the premium cost to you by your federal, state and social security tax rates (typically over 35% savings) and may have some impact on your Social Security benefits (see tax advisor for details).

- You do not need to submit an enrollment form to select this option. It is automatically selected for you.
- This benefit does not defer taxes to a later date, it exempts your health insurance deductions from the federal, state and social security taxes altogether. Once you enroll, you will continue to participate in this plan until the next open enrollment period when you may choose to revoke this option.
- If you **do** want to pay your premiums with taxable salary, complete a Flexible Spending Enrollment Form and select Section A.

B.1. Health Care Flexible Spending Account (FSA)

This flexible spending account option allows you to be reimbursed on a pre-tax basis for medical or dental expenses (not insurance premiums) that you pay out-of-pocket and are not paid by an insurance plan.

With this Health Care FSA option, you can build a tax-free account to reimburse yourself for your out-of-pocket medical, dental and vision expenses. The IRS publishes a sample list of eligible medical expenses on their website which includes any medical or dental procedure, service, or product that meets their definition of "medical care" will qualify. The term "medical care" refers to: amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body. The maximum amount allowed in your spending account is $5,000 per year.

- In addition to services you receive from physicians and dentists, the IRS allows reimbursement of over-the-counter medication and products that meet the definition of medical care (they do not have to be a tax-deductible item to qualify). Examples include bandages, aspirin, cold medication, and other similar products. You can see a sample list on our website of eligible services and products. www.sbcountyhr.org/flexspend.html
- If you enrolled in this option last year and you want to continue contributions for 2009, you must re-enroll in the account for 2009. ***Your 2008 deductions will not carry over to the 2009 year.***

The Health Care FSA saves you tax dollars by making your contributions to the account with pretax dollars. When you file for reimbursement of eligible medical expenses from the account, payment will be made to you and you do not pay tax on the reimbursement. When you fill out your tax return for 2009, you cannot claim a deduction for these expenses since you never paid taxes on them. Even if you itemize your taxes, most employees are not able to take advantage of a medical expense deduction when they file their taxes because their medical expenses are not over 7.5% of their income. Using this plan option any amount of qualified medical expenses, up to $5,000, can be paid for with pre-tax dollars. Even if you are on an HMO plan that pays most of your expenses, you can save taxes on your non-covered Lasik eye surgery, Rx expenses (including over-the-counter medication), chiropractic, physical therapy co-pays, or other out-of-pocket healthcare expenses.

Please note: This account is subject to IRS "use it or lose it" rule

Reimbursable & Non-reimbursable Expenses

Reimbursable Expenses – The IRS does not provide a comprehensive list of all eligible medical expenses. For additional information visit the IRS website at www.irs.gov/ and the HR-Employee Benefits site at www.sbcountyhr.org/benefits.

Non-reimbursable Expenses – Expenses considered not eligible by the IRS include any expense that is not primarily for the prevention or treatment of a physical or mental illness or defect, such as health club dues, weight reduction (unless for a diagnosed illness), cosmetic surgery, vacations, and health foods. Sorry, you cannot use this account to pay for healthcare premiums for non-County health plans.

Use It or Lose It & FSA "Grace Period"

This flexible spending account is subject to the IRS rules regarding when eligible healthcare claims must be incurred. With the adoption of the "grace period" you can request reimbursement for eligible healthcare services performed or products received between January 1, 2009 and March 15, 2010. Claims can be submitted up to June 15, 2010. Any funds not claimed by this date will **not** be returned to you or applied to your next year's account.

B.2 Dependent/Child Care Flexible Spending Account (FSA)

This flexible spending account option allows you to be reimbursed on a pre-tax basis for expenses related to child or adult dependent care while you are at work.

This Dependent/Child Care FSA is a pre-tax savings account that you can access for reimbursement for care provided to your dependents so that you (and your spouse, if married) can work. Care can be for your dependent child age 12 and under or a dependent of any age if he or she lives with you and cannot care for themselves, such as an elderly parent or disabled child. You can contribute a maximum of $5,000 annually.

- If you enrolled in this option last year and you want to continue contributions for 2009, you must re-enroll for the coming year.

Under Dependent Care FSA, the definition of qualifying person includes:

- A dependent child who is 12 years old or younger, for whom the employee is entitled to a deduction under Internal Revenue Code (IRC) Section 151(c);
- A dependent or spouse of an employee, regardless of age (including elder care), who is mentally or physically incapable of self-care; or
- A child of a divorced or separated employee who is 12 years old or younger, if the employee has custody of the child, even if the employee has released an exemption under IRS Section 152(e)(2).
- Eligible expenses include charges for care of a qualifying person inside or outside your home. This includes feeding, administration of medicine, general supervision and nursery school. The main purpose must be the person's well-being and protection.
- Expenses for care do not include amounts you pay for food, clothing and entertainment. However, if these amounts cannot be separated from the cost of caring for the qualifying person(s), you can include the total cost.

Federal tax laws specify that these expenses are eligible as long as they qualify…

- Out-of-Home Care – must comply with all federal requirements if the facility provides care for more than six non-resident individuals. (State and some local laws require licensing where care is provided to fewer persons.) Out-of-home care for a qualifying person age 13 or older will qualify, provided that person is physically or mentally incapable of self-care and regularly spends at least eight hours each day in your household.
- Children's Schooling – if your child is not in kindergarten or a higher grade.
- Registration Fees for Day Care.

You can include only the cost of care in determining your eligible expense. The services must occur during the calendar year for which you are enrolled and on days you work. If you are married, they must also occur on days your spouse works (or if spouse is a full-time student, on days you work and your spouse attends school).

Eligible expenses for this Open Enrollment period begin January 1, 2009. If you become eligible to enroll at a later date, eligible expenses will begin on the first day of the month after your enrollment form has been received and approved by the HR Employee Benefits Division.

Expenses that are not eligible include…

- The cost of schooling for a child in kindergarten or above
- Summer camp expenses when the child stays overnight
- Payments to a person for whom you can claim a dependency exemption for federal income tax purposes
- Payments to your non-dependent child (for eligible dependent care services) unless he or she will be age 19 or older by December 31, 2009
- Expenses incurred before January 1, 2009 (or other effective date of enrollment)
- Food, clothing, diapers and entertainment separated from the cost of caring for a qualified person
- Membership fees

You must carefully estimate the amount of eligible child care and/or dependent care expenses you expect to incur during 2009. Be sure to consider the possibility of declining expenses as your child gets older. Your salary reduction amount is fixed annually during this open enrollment period. The salary reduction you decide on should not exceed your estimate of dependent care expenses as federal tax regulations require forfeiture of any amount not used for expenses incurred within the calendar year.

For more information about what items are—and are not—deductible Dependent Care Expenses…

Consult IRS Publication 503 (Child and Dependent Care Expenses www.irs.gov/, under the heading "Tests to Claim the Credit." Use the Publication with caution because it's primary purpose is to help taxpayers figure out whether they can claim the Dependent Care Tax Credit, not to explain what is reimbursable under an FSA Plan.

Dependent Care Tax Credit and FSA

You may not claim any other tax benefit for the tax-free amounts you receive under this FSA, although the balance of your Dependent Care Expenses may be eligible for the household and dependent care services tax credit under IRS Code §21 (Dependent Care Tax Credit), e.g., if you elect $3,000 of coverage under this FSA and are reimbursed $3,000, but you have Dependent Care Expenses totaling $5,000, you can count the excess $2,000 when calculating the Dependent Care Tax Credit.

Note: The amount of any Dependent Care Credit you may have available will be offset by any FSA tax benefits received under the Plan.

The Dependent Care Tax Credit is an allowance for a percentage of your annual Dependent Care Expenses as a credit against your federal income tax liability under the Code. Depending on your adjusted gross income, the credit percentage could be as much as 35% of your qualifying expenses.

- For more information about how the Dependent Care Tax Credit works, see IRS Publication 503 (Child and Dependent Care Expenses). Use IRS Form 2441 (Child and Dependent Care Expenses) to help you. Both are available at www.irs.gov/.

Each participant will have to determine his or her own tax position in order to make the decision between taxable and tax-free benefits. You should consult your tax advisor if you have questions.

Flexible Spending Account (FSA) Enrollment & Reimbursement Guidelines

- Your biweekly FSA deduction amount will be in effect for the entire plan year. You cannot stop or change your FSA contributions during the plan year unless you have a qualified status change, such as marriage, divorce, or birth or adoption of a child. See page 5 for more information about making mid-year election changes.
- Contributions cannot be transferred between the Health Care FSA and the Dependent Care FSA for expense reimbursement.
- After the first payroll of 2009 is processed (or after the first payroll for employees hired later in the year), you will be able to access your account through the internet. An outside vendor, ADP, acts as the County's Health Care & Dependent Care FSA administrator. (If you are already registered on their site you do not have to re-enroll for 2009).

FSA Enrollment & Registration with ADP

To log in to the ADP site for the first time, you will need to

- Register using your Employee ID. Where SSN is requested, use SBC000," "SBC00," or "SBC0" plus your employee ID to reach 9 digits. (For example, SBC001234 – the characters between SBC and your ID are zeros.)
- If your employment with the County ends during the year, you can only be reimbursed for claims incurred **up to your last day of employment**, unless you elect COBRA coverage for a Health Care FSA.

Accessing Your FSA Funds To Pay Eligible Expenses

There are two ways to access your FSA funds…

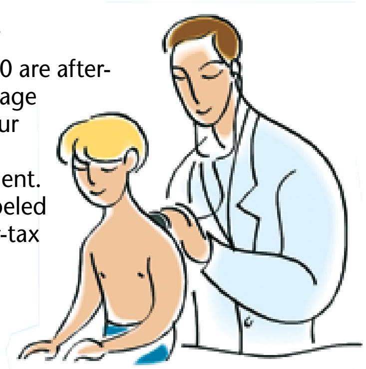
1. FSA Debit Card – The Health Care Account Debit Card is a useful tool that provides easy access your Flexible Spending Account contributions. Instead of paying for an eligible healthcare expense out-of-pocket and then submitting a claim for reimbursement, the Card allows you to purchase eligible items or services by directly debiting your Account.

- Please remember that part of using the Card correctly includes saving all of your itemized Card purchase receipts. While the Card allows you to avoid up-front out-of-pocket expense when purchasing eligible items and services, you may be asked to submit a purchase receipt later to prove the eligibility of an expense.

2. Fax or Mail Claim Form to ADP – When you have an eligible expense, you pay the expense, then submit a claim form to ADP with proof of the expense including date of service, description of service or product and incurring the expense. The administrator uses the funds in your account to reimburse you for your eligible expense either by check or EFT deposit to your bank account which you can set up on the ADP website.

C. Optional Group Term Life Insurance

This optional coverage is offered in addition to the County-paid term life insurance plan with ING-Reliastar that covers all regular County employees.



The County provides all regular employees with an ING Term Life Plan that has $20,000 coverage (higher amount if you are an elected official, department head, or assistant department head). In addition to this coverage, you can also purchase more coverage for yourself, your spouse and your children through the Optional Group Term Life Insurance Program, insured through BCS Life Insurance Company. This program offers reduced premium rates for non-smokers and all premiums are rated in 5-year age groups.

- **To enroll – contact your payroll clerk to obtain a separate BCS Life Insurance brochure which has additional details on the program.**
- A full description of this life insurance plan and premium rate schedule is available on our website.

When you separate employment, you can convert this plan to a private policy at no increase in premium cost. Coverage is available in amounts up to five-times salary for you ($500,000 max), up to one-half your coverage for your spouse, and up to $5,000 for your dependent children. The premium for the first $50,000 coverage minus your County-paid coverage is a pre-tax salary reduction. All amounts over $50,000 are after-tax deductions. If you select a coverage amount over $50,000 (including your County coverage) you will see two deductions on your earnings statement. One is for the pre-tax reduction (labeled "RED") and the other is for the after-tax deduction (labeled "DED").

- **If you are already enrolled in this program, you do not need to re-enroll unless you want to change the amount of coverage.**
- If you reached a new 5-year age band in 2008, your premium for the same coverage will increase in 2009 (see life insurance brochure for premium age bands).

Your life insurance deduction changes begin after your application is approved by the life insurance company, which usually causes a delay of about one month before the changes take effect.

D. Personal Accident Insurance

The maximum coverage under this plan from AIG is $500,000 (up to 10 times your salary) and there are additional benefits provided*

All premiums are pre-tax reductions and you can insure just yourself or your whole family. Premiums for this plan to cover your whole family for $200,000 are just $4.34 a pay period.

- **To enroll – obtain a separate Personal Accident Insurance Program brochure from your payroll clerk who has additional details on the program and an enrollment form.**
- The premium rate schedule is available on our website.
- If you are already enrolled in this program, you do not need to re-enroll unless you want to change the amount of coverage.

***Additional benefits include...**

- Travel Assistance Services
- Emergency Evacuation Benefit
- Repatriation of Remains Benefit
- Day Care Benefit
- Coma Benefit
- Seat Belt Benefit

Health Insurance Plan Options

For a complete description of all HMO, POS and PPO plan options see the 2008–09 Health Insurance Open Enrollment brochure or visit ***http://www.sbcountyhr.org/benefits/healthbenefits***

In addition to the standard HMO, POS and PPO plans, the County also offers Aetna's High Deductible PPO Health Plan (HDHP) which complies with IRS requirements in order to offer a compatible Health Savings Account (HSA).

What is a Health Savings Account?

A Health Savings Account (HSA) is a voluntary savings account established for reimbursement of qualified medical expenses. It is similar to a Health FSA but has many more advantages, including the ability to roll year-end balances over each year with no penalty. HSAs were created by the Medicare Prescription Drug Improvement and Modernization Act of 2003 to provide individuals with a tax saving benefit for certain medical expenses when covered under a High Deductible Health Plan (HDHP). An HSA is not a medical plan with an insurance carrier. It is an individual account established for your contributions and expenses.

- See page 7 of this brochure for more details and be sure to attend an HSA orientation meeting with the Sterling HSA representative (see the Health Savings Account meeting schedule on page 2).

Some Final Important Notes

Participation in the Flexible Benefits Plan does **not** *change your base salary for other salary-based benefits such as disability, workers compensation and qualified retirement benefits.*

Changing Plan Selections

You can only change your plan selections after the enrollment period closes if you have a qualified "change in status" or if you are under a "qualified medical child support order" from a court. Any changes you make must be consistent with your "change in status" and must be made within 31 days of the date of the event (marriage, birth, etc.).

A qualified "change in status" involves one of these:

- Change in legal marital status – marriage, death of a spouse, divorce, legal separation, annulment, or change in legal custody
- Change in number of dependents – birth, adoption, placement for adoption, or death of a dependent
- Change in employment status – termination or commencement of employment of the employee, spouse, or dependent; a strike or lockout; a commencement of or return from an unpaid leave of absence (i.e. not receiving regular pay)
- Change in work schedule that affects eligibility for benefits
- The dependent satisfies or ceases to satisfy the requirements for unmarried dependents
- A change in the place of residence or worksite of the employee, spouse, or dependent, including a change that affects the accessibility of network providers

- Change in your health coverage or your spouse's coverage attributable to your spouse's employment
- Change in an individual's eligibility for Medicare or Medicaid
- A court order resulting from a divorce, legal separation, annulment, or change in legal custody (including Qualified Medical Child Support Order) requiring coverage for an employee's child or dependent foster child
- An event that is a special enrollment event under HIPAA, including acquisition of a new dependent or spouse or loss of coverage under another health insurance policy or plan, if the coverage is terminated because of…
  - Voluntary or involuntary termination of employment or reduction in hours of employment, or death, divorce or legal separation; or,
  - Termination of employer contributions toward that other coverage; or,
  - If the other coverage was COBRA Continuation Coverage and the coverage was exhausted.

Health Care FSA Work Sheet

Use this work sheet to help determine your Health Care FSA election amount.

You may want to review receipts from last year for healthcare expenses you paid out of your own pocket or estimates you have obtained from your healthcare provider. Using these receipts and the work sheet, you can estimate the amount you want to elect for the Health Care FSA. Only budget for those expenses eligible for reimbursement through the Health Care FSA that you know or can reasonably expect to spend (see partial list above). Remember, eligible expenses include those for you, your spouse and your dependents, and include both medical, dental and vision expenses.

Deductibles

Medical, Dental, Vision . . . . $__________

Copayments/Coinsurance

The amount not paid by your

Health plan coverage . . . . $__________

Prescription drugs . . . . $__________

Vision care . . . . $__________

Dental / orthodontic care . . . . $__________

Treatments / therapies . . . . $__________

Fees / Services . . . . $__________

Mental health. . . . . $__________

Assistance for disabled . . . . $__________

Other eligible expenses . . . . $__________

Amounts paid over plan limits

Over reasonable & customary allowance. . . . . $__________

Additional chiropractic visits . . . . $__________

Additional mental health visits. . . . . $__________

Durable medical equipment . . . . $__________

Expenses NOT covered by your Insurance plan

Acupuncture visits . . . . $__________

Prescription or non-prescription drugs . . . . $__________

Vision care . . . . $__________

Dental . . . . $__________

Capital expenses required by your physician . . . . . $__________

Other eligible expenses . . . . $__________

TOTAL EXPENSES for SPENDING ACCOUNT $__________

Internet and Intranet Access for 2009

Flexible Benefits Plan materials, including forms, are available on the Internet at

www.sbcountyhr.org/benefits/flexspend.html

Health Plan materials, including forms, are available on the Internet at

www.sbcountyhr.org/benefits/healthbenefits

Everything is on the County Intranet at the HR-Benefits website. Please ask your LAN administrator to assist you if you cannot access this website.

Please return all enrollment materials

by FRIDAY, November 21*

by interoffice mail or by U.S. mail to:

County of Santa Barbara
Human Resources, Employee Benefits
1226 Anacapa Street
Santa Barbara, CA 93101

*** Forms received after this postmarked date may result in loss of enrollment opportunity for the 2009 Flexible Benefits Plan and for County Health Insurance programs.**

Open Enrollment Opportunity for Aetna High Deductible PPO / Health Savings Account

Beginning January 1, you have an opportunity to enroll in the Aetna High Deductible PPO Health Plan and establish a Health Savings Account (HSA) with Sterling HSA. Unlike a Health Care Flexible Spending Account, once you set-up an HSA account you can start, stop or change your contribution amounts at any time and your account balance will rollover from year to year with no "use it or lose it" penalty. In addition, the County will contribute $900 over the calendar year ($34.62 biweekly) to your account. This account is yours to keep after you retire or separate employment. The information below is a short summary of the information you'll need to make a decision about enrolling in an HSA. You can find more information about the Aetna High Deductible Health Plan and Health Savings Accounts on the HR Benefits website **www.sbcountyhr.org/benefits/healthbenefits**. You should also plan on attending an Open Enrollment and Health Savings Account meeting to hear more about these plans.

Who is Eligible to Enroll in an HSA?

In order to be eligible to establish and contribute to an HSA you must meet three conditions:

- You must enroll in an HSA compatible high deductible health plan. The County's Aetna High Deductible PPO Health Plan meets this requirement.
- If over 65, you must waive enrollment in Medicare A, B & D
- You cannot be claimed as a dependant on another person's tax return (does not apply to joint filing of taxes)
- **If you are currently enrolled in a Health Care Flexible Spending Account (FSA) and had an FSA in September 2006, you may be eligible to enroll in a Health Savings Account (HSA) with your 2008 year end FSA balance.**

What is a Health Savings Account?

An HSA allows individuals to pay for qualified health expenses and save for future medical and retiree health expenses on a tax-free basis. An HSA is similar to an Individual Retirement Account (IRA), often referred to as a medical IRA. Like an IRA, an HSA is for the benefit of the individual employee, is owned by you and is "portable," so if you leave County employment, your HSA stays with you. Sterling HSA is the HSA administrator that the County works with to administer your account under your direction. Your funds are deposited in an FDIC insured money market account.

STERLING HSA

Why Do I Need to Enroll in a High Deductible Health Plan?

The IRS requires that anyone who establishes an HSA to be covered by an HSA compatible, high deductible health plan that meets IRS requirements. The County offers the Aetna High Deductible PPO Health Plan plan which satisfies the IRS rules. The main features of this plan are:

- A deductible of $1,500 per individual or $3,000 per family
- Physician & Hospital copays of 20% in-network & 40% out-of-network*
- In-network Rx copay of 20% for retail and mail order
- Annual in-network physical exam at a $20 copay
- An out-of-pocket maximum copay of $4,500 per individual or $9,000 per family.

* plus amounts over reasonable & customary

For a more complete description of the Aetna HDHP PPO plan:

- See the plan summary posted on the HR website **www.sbcountyhr.org/benefits/healthbenefits**
- Come to an Open Enrollment meeting
- Call HR-Employee Benefits at **568-2814** or **2818** and request a copy of the plan summary
- Call Aetna at **800-326-2010** or CareCounsel at **888-227-3334** to speak with someone about the plan details.

Who Can Contribute to Your HSA?

The County of Santa Barbara will contribute $900 per calendar year ($34.62 bi-weekly) to your HSA while you are enrolled in the High Deductible PPO Health Plan. (The County will also pay the monthly account fees for the Value Plan—you can choose a plan with a higher account fee and lower transaction fees though you must pay the difference in cost). In addition to the County HSA contribution you can also make contributions to your HSA through payroll deductions, though not required, which will then be paid to Sterling HSA, and deposited in your account. Your payroll contributions will be made on a pre-tax basis.

How Much Can I Contribute to my HSA?

The maximum amount that can be contributed between both the County and you is set by the IRS. For 2009 the contribution limits are $3,000 for a single coverage and $5,950 for family coverage. If you are over age 55 you are eligible to make a "catch up contribution" of $1000 for 2009 and you can double that if your spouse is over age 55 and covered by your health plan.

How Do I Access the Funds in my HSA?

Similar to the Health Care FSA, you can send bills to Sterling HSA for qualified medical, dental or vision expenses that are not paid by your insurance and they will be paid on your behalf. You can also transfer funds from your HSA to your personal bank account by utilizing their e-checking on-line banking service to reimburse yourself for qualified expenses. In addition, when you establish an HSA account, you can also request a debit card that you can use for health care purchases at the point of sale.

- For a more detailed list of qualified healthcare expenses, see IRS Publications 502 and 969 or check the links on the HR Benefits website under Health Benefits.
- You can even access your HSA account to pay for Cobra premiums.

For more HSA information…

- Please come to one of the Flexible Benefits Plan enrollment meetings at locations and times listed on page 2 of this brochure.
- You can also call Sterling HSA at **800-617-4729**.

SANTA BARBARA COUNTY
Human Resources

Flexible Benefits Plan Enrollment Form

SANTA BARBARA COUNTY
Human Resources

Voluntary Salary Reduction Enrollment

Plan Year 2009, Pay Periods 1–26

PP

Employee Name (Please print) ______ Employee ID ______ Work Phone ______

Dept. Name ______ Dept. # ______ County E-mail Address ______

You may select all the options below, none of the options, or any combination of options.

Section A — Health Insurance Premium Co-payment

☐ I want my premium co-payment for self/dependent/part-time coverage to be a taxable deduction.
Non-taxable salary reduction is automatically chosen for you. Check the box only if you want your deductions to be taxable.

Section B — Flexible Spending Account (FSA) Plans *(You must re-select these options each year)*

See the plan brochure for the forfeiture provisions if full balance is not used in this plan year (including the grace period). Also, see warning below. (You may use the Flex Plan Contribution Worksheet to determine your estimated annual amount.)

☐ 1. **Health Care Flexible Spending Account –** for uninsured medical/dental/vision/over-the-counter and prescription expenses and deductibles, for you and your dependents but not for health insurance premiums.
Please Note: You cannot select this option if you have a Health Savings Account (HSA).

- To enroll, enter the estimated annual amount you expect to spend for qualifying out-of-pocket healthcare expenses in 2009 ($5,000 maximum).
- This annual amount will be divided by the number of pay periods you will be working in 2009. If you are employed the full year, the annual amount will be divided by 26 pay periods and taken out of each paycheck in equal amounts.

2009 Annual Amount
$ ______ . ____

2. **Dependent/Child Care Flexible Spending Account –** for dependent/child care related expenses, but not for dependent medical/dental expenses.

- To enroll, enter the estimated annual amount you expect to spend for qualifying dependent/care expenses in 2009 ($5,000 maximum)
- This annual amount will be divided by the number of pay periods you will be working in 2009. If you are employed the full year, the annual amount will be divided by 26 pay periods and taken out of each paycheck in equal amounts.

2009 Annual Amount
$ ______ . ____

Section C — Term Life Insurance *(This coverage will continue without re-enrollment each year until you cancel)*

Premiums for the first $30,000 coverage are pre-tax; for assistant department heads the pre-tax amount is $20,000. All premiums for coverage over these amounts and all premiums for department heads, and for spouses and dependents are after-tax deductions. Employees must enroll in order to purchase coverage for their spouses or dependent(s). *(BCS Enrollment Form required.)*

I want the following life insurance coverage amounts:

☐ **Self** Coverage amount: $______
(total taxable and non-taxable)

☐ I want to CANCEL my existing Life Insurance for: *(circle one)*
Self & Dependent(s) Spouse Dependent(s)

☐ **Spouse** Coverage amount: $______ (Limited to 50% of employee coverage)

☐ **Dependent(s)** Coverage amount: Live birth to 6 months – $1,000; 6 months to age 21 (age 26 if full time student) – $5,000.

Section D — Accident Insurance *(This coverage will continue without re-enrollment each year until you cancel)*

Select one option to start or change your Accident Insurance coverage. You must also submit an *Enrollment and Beneficiary Form** when you submit this form. Biweekly premium amounts are shown in the Personal Accident Insurance booklet.

☐ **Self** Coverage amount $ ______ Biweekly Premium $______

☐ **Self + Family** Coverage amount $ ______ Biweekly Premium $______

☐ I want to CANCEL my existing coverage.

* All enrollment information and forms are available at www.sbcountyhr.org/benefits, the Employee Benefits Division or your payroll clerk.

IMPORTANT — Read Carefully Before Signing!

I have read the 2009 Flexible Benefits Plan information and understand that the selections I make will remain in place for the entire plan year (or longer for Life and Accident insurance), unless I have a qualified "change in status" as defined by the IRS.

If I choose to deposit part of my salary to a Health Care or Dependent/Child Care FSA, I understand that Internal Revenue Regulations require that claims can only be made to these accounts for services rendered between January 1, 2009 and March 15, 2010 (which includes the 2-1/2 month grace period.) Any amount remaining in these accounts after the claim filing period will be forfeited.

Employee Signature ______________________ Date ______________