



# FSA

## DID YOU KNOW...

The average family of four can save over \$500 in taxes on their out-of-pocket medical expenses.

Let BeneFLEX implement a Flexible Spending Account (FSA) Plan to save your employees big tax dollars

AND

Employers save taxes too!

**BeneFLEX**  
HR RESOURCES INC.

*"We make benefits work for you."*

# Give Your Employees a Pay Raise!

(and it won't cost you a dime)



## What is a Flexible Spending Account Plan?

Sometimes known as a Cafeteria Plan, Flex Plan, or Section 125 Plan, a Flexible Spending Account (FSA) lets employees set aside a certain amount of each paycheck into an account – pre-tax. Employees are reimbursed from this pre-tax account for health care and dependent care expenses.

When employees use tax-free dollars to pay for these expenses, they realize a substantial tax savings and an increase in spending power.

**The company saves too** – 7.65% (FICA match) on every dollar employees contribute to the plan.

## How will My Employees Save Money?

The portion of salary an employee directs to the FSA plan is not taxed. The employee saves:

1. Federal income tax
2. State and local taxes
3. Social security tax

Your employees' savings will depend on the amount directed to the FSA plan and the employee's tax rate.

## Who Can Sponsor an FSA Plan?

Corporations, partnerships, S-corporations, limited liability companies (LLCs), sole proprietorships, governmental entities, and not-for-profit organizations all save on taxes by establishing an FSA plan. IRS guidelines prohibit sole proprietors, partners, members of an LLC, and 2% or more shareholders of an S-corporation from participating in the FSA plan.

Many employers sponsor a plan because they benefit from the savings on payroll taxes.

## 6 Ways Your Company Benefits by Offering an FSA Plan

1. Save 7.65% on every dollar your employees contribute to the FSA plan. FICA is not paid on amounts contributed to the FSA plan.
2. Lower health insurance premiums by reducing coverage and implementing an FSA plan to help offset the additional employee cost.
3. Increase your employees' share of insurance premiums without reducing their take-home pay with a Premium Only Plan (POP).
4. Insurance premiums may be reduced for coverages based on employees' taxable salaries.
5. Administrative costs are tax deductible and can be paid by you, your employees, or through a combination of employer/participant dollars. Fees can be collected by payroll deduction on a pre-tax basis.
6. Attracting and retaining quality employees is easier with an FSA benefit plan.

### Example of Employer Savings

ABC Company (10 employees)	Without an FSA Plan	With an FSA Plan
Annual Payroll	\$400,000	\$400,000
Employee-Paid Premiums (POP Plan)	0	-24,000*
Unreimbursed Medical Expenses	0	-10,000**
Dependent Daycare Expenses	0	-15,000***
Taxable Payroll	\$400,000	\$351,000
FICA Tax (7.65%)	\$30,600	\$26,851
<b>Employer Savings</b>		<b><u>\$3,749</u></b>

\*Insurance premiums averaging \$200 per month per employee.

\*\*Four employees contributing \$2,500 per year.

\*\*\*Three employees contributing \$5,000 per year.

# The New FSA

## The Fear is Gone

With the \$500 Carryover option, you now are able to roll over up to \$500 of unused Medical FSA funds at the end of your plan year.

or

You still have the grace period option. The grace period is an extended period of time at the end of the plan year (usually 2 ½ months) in which you can continue to incur expenses to use your remaining FSA balance.

**You choose which option is best for you!**

## Here's how they save \$\$\$...

**Example:** An employee makes \$2,000 each month and decides to participate in their employer's FSA Plan. As a result, their insurance premiums and health and daycare expenses are paid with tax-free dollars, giving them an additional \$100 each month!

### Without an FSA

## Monthly Net

Employee's Gross Earnings	\$ 2,000
FICA, Federal, State Taxes	- \$500
Insurance Premium	- \$100
Health and Day Care Expenses	- \$300
<b>NET EARNINGS</b>	<b>\$ 1,100</b>

# VS.

### With an FSA

## Monthly Net

Employee's Gross Earnings	\$ 2,000
Insurance Premium	- \$100
Health and Day Care Expenses	- \$300
Adjusted Gross Earnings	\$ 1,600
FICA, Federal, State Taxes	- \$400
<b>NET EARNINGS</b>	<b>\$ 1,200</b>

## What happens to the money that an employee puts into the FSA Plan?

The employee's elected payroll deduction is "banked" by the employer in an account maintained for the employee. Qualified expenses incurred by the employee are reimbursed tax-free from the dollars "banked" in the account.

If an employer does not have the \$500 carryover provision, IRS guidelines state any amount remaining in the account is forfeited to the employer. BeneFLEX educates the employees on this provision and to be conservative in their estimates of eligible expenses. We communicate FSA balances several ways, so the employee knows how much they have remaining in their account. In addition, they have 24-hour access to their account online at [www.beneflexhr.com](http://www.beneflexhr.com) or via the BeneFlexHR Mobile app.

## What Benefits Can an Employer Offer Under an FSA Plan?

### 1. Medical FSA Reimbursement Account

Reimburses employees for health care expenses not covered by insurance. Employees set aside money, tax-free, through regular payroll deductions. Employees are reimbursed directly from their account for qualified health care expenses.

*Common expenses that qualify for reimbursement are – doctor visits, deductibles, co-payments, prescriptions, mental health care, dental services, orthodontia, chiropractic care, eye exams, glasses, contacts, and many over-the-counter items.*

### 2. Dependent Care FSA Reimbursement Account

Reimburses employees for daycare expenses for eligible children and adults. Through regular payroll deductions, employees set aside part of their income to pay for these expenses on a tax-free basis. To qualify, dependents must be:

- a child under the age of 13, or
- a child, spouse, or other dependent, who is physically or mentally incapable of self-care and spends 8 hours a day in the household.

*Qualified expenses for reimbursement include – adult and child daycare centers, preschool, before/after school care, and summer camps as long as they are not overnight camps.*

### 3. Limited FSA Reimbursement Account

Similar to a "regular" Medical FSA, however the Limited FSA is only used for dental, vision, and post-deductible expenses. Complies with IRS guidelines for Health Savings Accounts or no group medical plan.

### 4. Premium Only Plan

Allows employees to pay for their share of employer-provided health and other insurance premiums with tax-free dollars.

**Note – Employers save FICA tax on all of these benefits.**

# How to Get Started

You can start an FSA at any time. The first year can be a short plan year so future plan years coincide with either your fiscal year, calendar year, or health plan year (recommended). Complete the Intent to Enroll form and fax or mail to BeneFLEX. Upon receiving your Intent to Enroll form, BeneFLEX will send you an electronic launch kit and will be available to help you design a custom FSA plan document and set up administrative procedures.

Since employee participation is vital to the success of this plan, we recommend your plan be implemented in conjunction with an employee education program. We are available to educate your employees while you simply watch the savings multiply for you and your employees.

## Plan Set Up and Administration is Easy with BeneFLEX

- 1. Plan Consulting.** Upon receiving your Intent to Enroll form, BeneFLEX sends you an electronic launch kit.
- 2. Easy Plan Set Up.** The launch kit includes the Business Associate Agreement, FSA Plan Checklist, Contact Listing, Banking Information, Benny Card Set Up, and Sample Reports.
- 3. Employee Enrollment Assistance.** Includes educational materials such as enrollment brochures, posters, payroll stuffers, and a pre-recorded webinar.
- 4. Employee Account Management.** Employee contributions are posted to their account each pay period. Other services include account balance tracking, daily claims adjudication, and claims reimbursement by check or direct deposit.
- 5. Participant Assistance.** Employees have educational materials and 24-hour access to their account online at [www.beneflexhr.com](http://www.beneflexhr.com) or via the BeneFlexHR Mobile app.
- 6. Annual Plan Compliance.** Includes monthly year-to-date reporting of employee account balances, discrimination testing, and updates or amendments to the FSA plan documents.

## BeneFLEX Keeps Your FSA Plan in Compliance

- ▶ The plan document contribution limit regulates both the FSA election amount and the employer contribution limit of \$500 and/or the employee match.
- ▶ BeneFLEX provides an electronic version of your Plan Documents and Summary Plan Description (SPD). A copy of the SPD must be distributed to each plan participant.
- ▶ Participants are allowed to change or revoke their medical spending or dependent care election(s) at any time during the plan year if the participant has a change of family status.
- ▶ COBRA continuation is offered to all terminating participants in the medical reimbursement portion of the plan that have contributed more than they have spent. However, COBRA need not be offered for subsequent plan years.
- ▶ If disability insurance is paid on a pre-tax basis, benefits received from the insurance carrier by the employee are taxable. Under most circumstances, it is recommended that disability insurance not be included in the plan.
- ▶ If you grow your participation in the FSA to over 100 participants, you will need to file the IRS Form 5500 each year. Check with a BeneFLEX account manager for special pricing on this service by our CPA Tax Specialists.
- ▶ No more than \$50,000 of employer-sponsored group-term life insurance may be provided to employees on a pre-tax basis.
- ▶ BeneFLEX tests to ensure the plan does not discriminate in favor of highly compensated or key employees.
- ▶ BeneFLEX provides employers with the information necessary to report amounts paid for dependent care during the calendar year. This amount is reported on the employee's W-2.
- ▶ For a medical FSA, the employer makes the full election amount available to participants on the first day of the plan. In the case of a deficit in a plan account, the company funds this difference until employee deposits cover the balance. If an employee leaves employment before fully funding the plan, the company completes the funding. BeneFLEX has found employer's FICA savings outweigh this provision.
- ▶ BeneFLEX adjudicates FSA claims to ensure compliance with IRS guidelines.
- ▶ BeneFLEX offers the Benny Debit Card, which allows employees to pay for eligible expenses without using out-of-pocket funds. The Benny "smartcard" allows only eligible expenses to be purchased.

# The Benny Card

## How does the Benny Card work?

It works like a Mastercard®, with the value of your account contribution stored on it. When you have qualified eligible healthcare expenses at a business that accepts Mastercard®, simply use your Benny Card. The amount of your qualified purchases will be deducted automatically from your FSA (Flexible Spending Account) and the pre-tax dollars will be electronically transferred to the provider/merchant for immediate payment.

## How does the Benny Card change how I am reimbursed for expenses?

Before the Benny Card, you were required to pay for your eligible expenses at the time of purchase, then submit claim forms along with all receipts. A check was issued, mailed to you, and then you cashed the check.

With the Benny Card, you simply swipe the Card and the funds are automatically deducted from your employee benefit account for payment. The Benny Card eliminates most out-of-pocket cash outlays, paperwork, and the need to wait for reimbursement checks.

## Is this just like other Mastercard® Cards?

The Benny Card is a Mastercard® Card used only for qualified expenses. There are no monthly bills and no finance charges.

## Do I need a new Benny Card each year?

No, each year your Benny Card will be loaded with your new annual election amount at the start of each plan year. The card is good for five years.

## What if I lose my Benny Card or need another one?

You'll receive two Benny Cards. You can request an additional or a replacement Card through BeneFLEX. Replacement Cards may also be ordered through the employee portal. The additional/replacement Card is \$10, which may be deducted directly from your pre-tax account.

## Activating Your Card

### How do I activate the Benny Card?

Call toll-free, 1-866-898-9795.

### What dollar amount is on my Benny Card when I activate it?

The dollar value on your Card will be the amount you elected to contribute to your employee benefit account during your annual benefits enrollment. It's from that total dollar amount that eligible expenses will be deducted as you use your Card or submit manual claims.

## Using the Card

### Where can I use my Benny Card?

Doctor, Dentist, Chiropractor, Hospital, Pharmacy, and more. You can find additional information on where your card can be used by going to our website at [www.beneflexhr.com](http://www.beneflexhr.com) and looking under EMPLOYEES, IAS Info.

### Are there places the Benny Card won't be accepted?

Yes. Examples include department stores, hardware stores, restaurants, bookstores, gas stations, and home improvement stores. The card will not work at discount stores, grocery stores, and pharmacies that have not implemented the IAS system.

### If asked, should I select "Debit" or "Credit"?

The Benny Card is a stored-value card. You may choose "credit" and sign the receipt, or you may choose "debit" if you have set up the 4-digit PIN#.

### Can I use the Benny Card if I receive a statement with a Patient Due Balance for a medical service?

Yes. If the expense occurred during the current plan year. Be sure you have money in your account for the balance due, simply write the Benny Card number on your statement and send it back to the provider.

### How do I know how much is in my account?

You can visit your Account Summary page at [www.beneflexhr.com](http://www.beneflexhr.com) to view your account activity and current balance. Or, you can call 800-631-3539 or 314-909-6979 for St. Louis area residents and press 2, or access your account via the BeneFlexHR Mobile app to obtain your current balance.

### Whom do I call if I have questions about my Benny Card?

Call BeneFLEX at the phone number on the back of the Benny Card.



## What if I have an expense that is more than the amount left in my account?

By checking your account balance often – either online, via the BeneFlex HR Mobile app, or by calling 800-631-3539 or 314-909-6979 for St. Louis area residents and pressing 2 – you will have a good idea of how much is available. When incurring an expense that is greater than what is remaining in your account, you can split the cost at the register.

## How does the IAS system work?

OTC products eligible for reimbursement by FSA programs are coded in the system and identified on the cash register receipt with a special FSA icon. The system automatically recognizes and separates eligible and ineligible OTC products. Cardholders can then pay for eligible OTC products using the Benny Card automatically debiting their FSA account. As a result, the claim is fully adjudicated and transaction substantiated with no paper receipts or further verification required. For items not qualifying for the FSA reimbursement, the participant must provide an alternative payment method. You still have to save all your receipts, as this is an IRS governed plan.

## Will I have to submit copies of my receipts for purchases of over-the-counter (OTC) items?

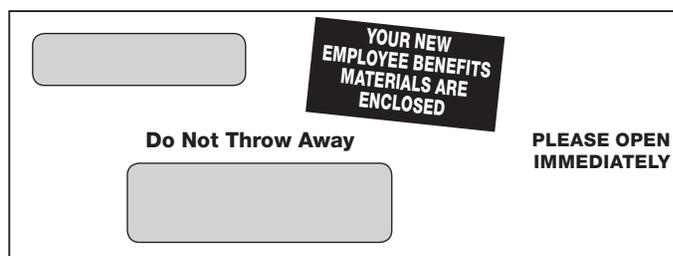
Not for non-drug OTC items. On July 1, 2009, the IRS required all grocery stores, discount stores, and pharmacies to have an Inventory Information Approval System "IAS" in place. The IAS system automatically recognizes and separates eligible and ineligible purchases. These purchases will not require you to submit a receipt. The card will only work at merchants that have the IAS system. **Visit our website [www.beneflexhr.com](http://www.beneflexhr.com) and click on the IAS Info under EMPLOYEE to access a list of merchants that have implemented the system.** SPECIAL NOTE: For OTC drugs that are medically necessary, you will need to include your doctor's prescription with your claim submission. Please refer to our Guidelines for Claims Submission on the back of the claim form. You still have to save all your receipts, as this is an IRS governed plan.

## What about other purchases made with my Benny Card? Will I have to submit copies of my receipts for those purchases?

Always keep your receipts. Our system will recognize your pharmacy prescription purchases, doctor co-pays, and drug discount levels. Another great feature is our card can learn when you buy the same thing. For example, you go to the dentist and/or make monthly payments for braces, after the first payment is adjudicated, the card recognizes ongoing payments for the same amount at the same dentist.

## New Participants

Watch for your new Benny Cards in the Mail



# BeneFLEX Report Card

	Q1 Total	Q2 Total	YTD Totals
# Issued Cards			159
# Activating Cards			154
% Activation Rate			97%
Authorizations			
Dollars	\$65,849.50	\$48,369.73	\$114,219.23
Transactions	1,153	1,053	2,206
Average Transaction	\$57.11	\$45.94	\$51.78
Overall Substantiation	83.73%	86.30%	84.02%
# of Settled Trans Subj to Substantion	1,168	1,022	2,190
# Auto-Substantiated	978	882	1,860
# Requiring Follow-Up	190	140	330
Overall Authorization	97.9%	96.8%	97.4%
Overall Decline	2.1%	3.2%	2.6%
Declined Reasons			
No PBM Match	0	0	0
Invalid MCC	10	3	13
Invalid Expiration Date	2	6	8
Account Not Active	8	5	13
Insufficient Funds	3	16	19
Total Declines	25	33	58
# Participants Suspended Status			4
# Participants Overpayment Status	3	1	4

**A+**

## Is your FSA making the grade???

BeneFLEX clients receive an annual report card letting them know how well their plan works.

● Employees love Benny – Benny enjoys almost 100% utilization.

● Save your employee time – nearly 85% of all transactions are auto substantiated at the time of purchase.

● Benny helps your employees use their FSA appropriately.

## Does your TPA pass the FSA quiz?

Yes

No

\_\_\_ Is your TPA providing educational seminars or webinars? \_\_\_

\_\_\_ Is your plan breaking even or better on FICA savings? \_\_\_

\_\_\_ Do you receive yearly discrimination testing on your plan? \_\_\_

\_\_\_ Does your TPA provide an annual report card on your plan? \_\_\_

\_\_\_ Do you have a (current\*) written plan document on file? \_\_\_

(\*Note - Changes in IRS Regulations were issued in 1997, 1999, 2001, 2002, 2005, 2007 & 2010).

If you answer “no” to any of these questions, your TPA may be failing.

### Who is BeneFLEX HR RESOURCES?

A focused Third Party Administrator specializing in providing seamless employee benefits. BeneFLEX takes the burden of benefit regulations and compliance away from the employer AND ensures employees receive the full benefit of their FSA, POP, HCSO HRA, TMA, HRA, HSA, and COBRA.

**Contact BeneFLEX at 800-631-FLEX to implement your FSA plan and start saving tax dollars!**

Complete your Intent to Enroll form, receive your electronic launch kit and start to benefit from BeneFLEX’s FSA administration services.

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