

# Flexible Spending Accounts

## Employer Advantages of Offering a Flexible Spending Account

- » Reduced employer payroll taxes (including Social Security & Medicare)
- » Enhanced benefit program available to employees
- » Increased employee satisfaction, attraction and retention
- » Reduced Workers' Comp premiums based on reduced W2 compensation\*

## What is a Flexible Spending Account?

A flexible spending account (FSA) is a tax-advantaged financial account that is set-up through your employer. An FSA allows you to set aside a portion of your earnings to pay for qualifying expenses with pre-tax dollars.

### ELIGIBLE HEALTH FSA EXPENSES

- » Deductibles
- » Copayments & Coinsurance
- » Over-the-Counter Drugs\*\*\*
- » Dental Expenses
- » Vision Expenses

### ELIGIBLE DEPENDENT CARE EXPENSES\*\*

- » Child Care for Children Under 13
- » Adult Day Care for Elder Dependents
- » Babysitting / Au Pair

## Annual Employer FSA FICA Tax Savings Example

Medical FSA Total Employee Annual Elections	\$15,000.00
Dependent Care Total Employee Annual Elections	\$20,000.00
<b>Total Employee FSA Annual Elections</b>	<b>\$35,000.00</b>
FICA Annual Tax Savings @ 7.65%	\$2,677.50

## The WORKTERRA Difference

With our 30 years in the industry, we have developed unmatched expertise in administering Section 125 (FSA) plans. We continue to separate ourselves from other third-party administrators by providing full administrative services that include:

- » Establishing / updating plan documents and SPDs
- » Discrimination testing
- » Daily claim reimbursements via check or direct deposit
- » Online system to access balance & claims information
- » A bilingual call center fully-staffed with helpful representatives

\*In some states

\*\* Expenses must be incurred while you & your spouse (if applicable) are working or looking for work.

\*\*\*Over-the-counter expenses are only eligible for reimbursement for plans that began prior to 1/1/11.

# Take Care<sup>®</sup> Card

## What is a Take Care<sup>®</sup> Card?

The Take Care<sup>®</sup> FSA card is a special type of debit card issued to access your employee's flexible spending account funds. When they use the card to pay for qualified expenses, the money is instantly deducted from their FSA. Participants who use the card won't have to pay for qualified expenses out of their personal funds and then wait for a reimbursement. If your employees have elections for both Health FSA and Dependent Care, they will receive one card. The card is coded so each purchase is taken from the correct account. Employees' dependents can also order cards with their names imprinted which is ideal for spouses and children in college.

The Take Care<sup>®</sup> FSA card bears the Visa<sup>®</sup> logo and operates through their main networks.

## Non-Qualified Expenses

With our auto-adjudication rate of 85% - 90%, receipts are rarely required. If a purchase needs to be qualified (i.e. dental work), a letter is sent to the employee's home requesting the receipt be submitted. If the receipt is not submitted within 90 days, their card will be suspended. If the employee does not pay back the account, the amount of the expense in question will be deducted from the next paper claim that is submitted.

### 1 DEBIT CARDS

Participants are allowed up to 5 debit cards at no cost. Each card can be personalized with the participant's dependents names.

### 2 CLAIMS

Claims are adjudicated daily; via fax or email to WORKTERRA. We are currently at an 85%-90% auto-adjudication rate on the Take Care<sup>®</sup> Card.

### 3 RECEIPTS

If a participant receives a request for a receipt, receipts must be submitted within 90 days. If not received, the debit card will be suspended.

## Employer Advantages of Offering an FSA Benefit Debit Card

- » Increase in participation resulting in a reduction of employer payroll taxes (*shown below*)
- » Enhanced benefit program available to employees
- » Increased employee satisfaction, attraction and retention
- » Reduced Workers' Comp premiums based on reduced W2 compensation\*

## Risks for the Employer

As FSA plans are funded fully up-front, the debit cards will be loaded with the employee's full election. It is imperative that terminations are reported to WORKTERRA or input into our online system as soon as they occur. Upon notification of a termination, the employee's card will suspend. If a termination is not recorded, the employee can continue to use the debit card, incurring claims while not participating in the plan.

\*In some states

## Online System

WORKTERRA's online FLEX system allows our clients to login and view their account at anytime. Along with viewing participant information such as demographics, election data and balances, clients can run reports 24 hours a day/seven days a week. Some of the standard reports are the:

- » Year-to-Date report: shows account elections, disbursements to the participants and participant balances up-to-the-minute in real-time
- » Statement of Accounts report: shows each participant and which plan(s) in which they are participating
- » Check Register report: shows all of the paper checks and direct deposits made on the date range provided by the client.

During open enrollment, participants may login and make their elections and / or the client can login and make elections for the participants. Participants can review their balance(s), claims information (last received and last paid), review qualified expenses and create a claim form online.

## Implementation Process

1

### KICK-OFF

- » Kick-off meeting
- » Implementation Manager Assigned

2

### DISCOVERY

- A participant census is requested 30-days prior to the takeover date.
- » New Plan: WORKTERRA will provide a plan document and an SPD for distribution to participants and/or internal posting.
  - » Mid-Plan Year Takeover: Each participant's account balance is required.

3

### GO-LIVE

Plan participants will receive a packet from WORKTERRA with all information regarding their account, documentation to be completed and login information for the online system (if using). Welcome packets can be delivered to each participant direct from WORKTERRA or sent to the client for distribution.