

ATTACHMENT X-G: Flex Spending, and Ancillary Employee Benefits

Potential motion: Move to Approve the addition of Flex Spending and Optional Ancillary Employee Benefits for Medical and Life

Recommended action: Approve the motion

It is recommended the Board approve the motion to add FSA – Flexible Spending Account for staff, to be administered by Diversified Benefits Services, Inc. This gives staff at North Boone CUSD #200 the ability to reduce their taxable wages by opening a flex spending account for either one or both Medical Reimbursement Plan and Dependent Care Reimbursement Plan. The potential cost to the district would be the \$350.00 one-time set up fee and an annual fee of \$100.00. The employees would pay the monthly fee of \$4.50 + \$1.00 for the debit card. There is a minimum of \$150.00 per month so there is a potential fee for the difference if there is not enough staff that sign up for flex spending. There is a cost savings to the district as well for the board share of FICA and Medicare taxes that could potentially cover the annual and monthly cost of the flex spending depending on how many people sign up. Information is attached on the flex spending.

It is also recommended to add ancillary employee benefits from either AFLAC or Allstate. On November 30, 2016, the insurance committee will decide on the vendor after interviewing both companies. These companies provided ancillary benefits for employee such as critical illness, accidental medical, hospitalization, cancer care, short term disability insurance and life insurance. These are all voluntary and fully paid by the employee. There are no fees for the district. There is a cost savings for the district. Some of the above plans are tax free and the board would save from not paying FICA and Medicare on the cost of the plans.

125 – Flexible Spending Account Proposal

Submitted by: Patrick Pederson

Prepared for

North Boone CUSD #200

September 1, 2016

160 Eligible Employees

(Confidential)

***Quote expires 6 months after date of proposal*



DIVERSIFIED
BENEFIT SERVICES, INC.

Excellence in Benefit Management Solutions

DBSbenefits.com

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Diversified Benefit Services, Inc.

The Company

Diversified Benefit Services, Inc. (DBS) is a third party administration (TPA) firm dedicated to excellence in the design and third party administration of tax preferred account based reimbursement plans. Located in Hartland, Wisconsin, DBS is a privately held company with approximately 60 employees. DBS takes pride in its plan design and plan administration expertise as well as excellent customer service. Since 1987, DBS has provided extraordinary service to various employers including manufacturers, health systems, school districts, financial institutions, municipalities, and non-profit organizations. Our clients are located from coast to coast and range in size from 20 employees to over 25,000.

Services

DBS specializes in the design, communication, enrollment, compliance testing and third party administration of Section 125 Flexible Spending Accounts (125-FSAs), Section 105 Health Reimbursement Arrangements (105-HRAs), Section 132 Transportation Reimbursement Plans (132-TRPs), Section 223 Health Savings Accounts (223-HSAs) and other customized reimbursement plans. Pre-tax Premium Only Plans (POPs) and comprehensive plan enrollment services are offered as well in addition to COBRA administration. DBS reimburses either participants or providers directly - which is a unique service offered to clients with 105-HRAs. DBS also administers retiree and other customized reimbursement plans.

Experience and Knowledge

DBS is a leader in the industry with over 28 years of experience in designing, communicating and administering account based reimbursement plans. Our knowledgeable staff has assisted thousands of clients in implementing and administering their programs. Utilizing thoughtful listening, effective planning, and clear communication, the DBS team offers clients peace of mind and high levels of satisfaction with our services. DBS has conducted educational seminars on FSAs, HRAs, HSAs and other programs for Benefit Consulting firms, professional HR groups, Chambers of Commerce, and trade organizations. DBS is a member of ECFC (Employers Council on Flexible Compensation) which is a premier Washington D.C. based lobbying organization that promotes the most favorable regulatory environment for tax preferred benefit plans.

Communication

One of our most important value added services is our dedication to educating employees on the benefit services being provided. As an example, with our FSA program, DBS' effective communication allows our clients to achieve participation results in the 35%-60% range (the national average is 12%-20%). Our crystal clear education process can include employee announcement letters and interactive group informational meetings, individual enrollment sessions and online enrollment. There are several enrollment methods available for employers to choose from.

Technology

Along with our highly trained team, DBS utilizes state-of-the-art computer servers & systems as well as a robust software program known as **A.S.A.P.®**



**Advanced
Strategic
Administration
Program®**

Our administration software is a proprietary system owned and developed by DBS and has helped position DBS as an industry leader in 125-FSA, 105-HRA, 132-TRP and 223-HSA administration. **A.S.A.P.®** allows employers and employees secure encrypted online account access to view transactions, balances, file claims and generate various reports. **A.S.A.P.®** is programmed to accept insurance carrier electronic claim data. The seamless claim processing has several options for reimbursements paid to participants and providers.

Section 125 - Flexible Spending Account

Group Insurance Premiums

Most employees share in the cost of group premiums for health and/or dental insurance. In 1978, Congress passed legislation providing a tax break for the employee's portion of insurance premiums.

Under Section 125 of the Internal Revenue Code, employees can deduct their share of premiums from their paycheck pre-tax (before Federal, State, and FICA taxes). This pre-tax deduction reduces the amount of gross income that is taxed and employees save approximately 20-40% in taxes on their expenses. The employer saves the matching FICA tax (approximately 7.65%).

Most employees can participate in the program. However, owners and highly compensated employees that are eligible to participate may be limited on the amount of their insurance deduction that could be deducted pre-tax. Owners of an S-corporation and their family members, partners in a partnership (i.e. LLP, LLC, etc.) and sole proprietors are not eligible to participate.

Types of Qualifying Group Insurance Premiums

	Health	Dental	Vision
	Accidental Death and Dismemberment		
Cancer*	Group Term Life (up to \$50,000)**		Disability ***

If a Premium Only Plan is currently in place, then it will be incorporated into the Flexible Spending Account plan document.

Employer Benefits	Employee Benefits
FICA Tax Savings	Federal, State & FICA Tax Savings
FUTA & SUTA Tax Savings	Increases Spendable Income
Softens Impact of Health Care Costs	Softens Impact of Health Care Costs
Enhances Employee Benefit Package	Enhances Employee Benefit Package

Estimated Employer FICA Tax Savings Formula

\$	X	7.65%	=	\$
Annualized Employee Premium Contribution		FICA Taxes		Annualized Employer Tax Savings

* Policies with Premium Refund provisions are not allowed.

** Only coverage for the employee is allowable (no spouse or dependent coverage). Other limits apply.

*** When Disability premiums are deducted pre-tax, the benefit payout becomes taxable income. Policies with Premium Refund provisions are not allowed.

Dependent Care Reimbursement Account

The Dependent Care Reimbursement Account is for employees who have qualifying dependents that require supervision while the employee and/or their spouse works or attends school full time. Employees conservatively estimate what they expect to spend for dependent care during the Flexible Spending Account plan year. In most cases, the annual maximum contribution in the Dependent Care Reimbursement Account is \$5,000 per family.

The employee's annual election is divided by the number of payroll deductions for the plan year. That amount would be deducted from the employee's paycheck on a pre-tax basis. The employee deductions are not subject to Federal, State, or Social Security taxes. The participant periodically submits a claim verifying dependent care expenses. DBS reviews the claim and reimburses the participant. With dependent care expenses, participants can only be reimbursed the dollar amounts that have been deducted from their paychecks as of the date of the claim. Any excess amount claimed will be placed into a "pending account." The "pending" amount will be paid as the participant's payroll deductions are credited to their account.

When properly communicated, very few people leave money in the plan. At the end of the plan year, any unused funds left in the account are forfeited and may be used by the employer to offset plan administration expenses.

By utilizing the Dependent Care Reimbursement Account, a participant can save 20-40% in taxes on their expenses. Employers save the matching FICA tax. In most cases, this is 7.65% of all dependent care contributions.

Medical Reimbursement Account

The Medical Expense Reimbursement Account is very popular because most employees and their family members have out of pocket medical expenses that are not covered by insurance plans. These out of pocket reimbursable expenses include but are not limited to deductibles, coinsurance, copays for office visits or prescription drugs, eye glasses, contact lenses, and many dental expenses.

Employees enroll in the plan by carefully calculating how much money will be needed in their account for the coming plan year and commit to that amount. The annual maximum contribution is set by the employer. The employee's annual election is divided by the number of payroll deductions for the plan year. That amount would be deducted from the employee's paycheck on a pre-tax basis (Federal, State, and FICA taxes). The participant periodically submits a claim verifying medical expenses. DBS reviews the claim and reimburses the participant. Unlike the Dependent Care Reimbursement Account participants have access to their annual elected amount at any time.

When properly communicated, very few people leave money in the plan. At the end of the plan year, any unused funds left in the account are forfeited and may be used by the employer to offset plan administration expenses.

By utilizing the Medical Expense Reimbursement Account, a participant can save 20-40% in taxes on their expenses. Employers save the matching FICA tax. In most cases, this is 7.65% of all medical expense contributions.

Note: Employers may also contribute dollars into the account on behalf of the employees.

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Three-Step Communication Process

DBS is known in the benefits industry for our highly effective three-step communication process. Our educational approach results in participation levels that far exceed the national averages. The following is a brief overview of each step.

Step 1 – Initial Communication

The first step is to introduce the plan to all eligible employees. DBS prepares an introductory letter that provides an overview of the Flexible Spending Account Plan. Along with the letter is an “Increase Your Take Home Pay” brochure which briefly describes the pre-tax concept, lists the many qualifying expenses, and reviews the benefits to employees. The letters and brochures are designed to create interest in the program and are distributed to all eligible employees. Announcement posters promoting the program are also available.

Step 2 – Group Communication

After the Initial Communication is completed, the second step is to communicate the program to employees via group informational meetings. DBS staff, well versed in Section 125, conduct educational sessions which explain the rules and regulations of the Flexible Spending Account Plan. The presenters thoroughly discuss the program in an easy to understand manner. Employers are encouraged to make these meetings mandatory to help increase the employees’ understanding of the benefit. DBS recommends holding a group meeting for department managers and/or union leadership in advance of the other group meetings. Their support is helpful to the plan’s success as their co-workers may turn to them with questions.

Collateral material is provided including an “Employee Guide to Pre-Tax Savings” brochure that explains the advantages of the program. A worksheet is distributed to assist employees with planning their estimated expenses. Each meeting typically lasts 30-45 minutes. DBS can conduct these presentations at multiple sites and at various times to accommodate employees. Another communication option that may be utilized is webinars.

Step 3 – Enrollment Communication

After the Flexible Spending Account Plan has been explained to employees in a group setting, employees have the opportunity to decide their Plan Year election. There are various methods DBS offers for enrolling employees into the program. Options include self-enrollment packets, electronic file enrollment and Internet enrollment.

Enrollment Options

Self-Enrollment

DBS provides the employer with self-enrollment packets that include a worksheet and enrollment form. An introductory enrollment letter and plan information sheet is also provided. The employer is responsible for distributing the materials and collecting the completed enrollment forms.

Electronic File (E-File) or Employer Eligibility File Sent to FTP Server

The employer receives the self-enrollment packet via e-mail. An enrollment letter and plan information sheet is also provided. The employer prints the materials and distributes the information to employees. Enrollment forms are then returned to DBS or the client may provide an eligibility file that is sent to the DBS FTP server and employees can be automatically imported.

Internet Enrollment

The employer receives an instruction letter for employees to enroll via the Internet. The letter includes passwords that allow employees access to the secure DBS web site enrollment system. An online calculator is used to assist employees with their election amounts. An e-mail confirmation is sent to employees verifying their elections once the employee submits their enrollment.

DBS routinely achieves 12-30% participation with self-enrollment options compared to the 12% national average.

125 - Flexible Spending Account Services and Fees

DBS Standard FSA Services

<u>Service</u>	<u>Fee</u>
I. Plan Design (First Year Only) <ul style="list-style-type: none"> • Completion of plan design guide • Preparation of the Plan Document 'as is' • Summary Plan Description • HIPAA Privacy Notice draft • Board Resolution 	\$350 (First Year Only)
II. Group Meetings <ul style="list-style-type: none"> • Group informational meetings onsite (per meeting fee) (Travel & lodging extra when applicable) • Webinar sessions No Charge 	Included First Year \$50/Meeting Subsequent Years
III. Annual Plan Set-Up/Renewal (Example: \$3.00 x 50 FSA participants = \$150) <ul style="list-style-type: none"> • Set-up client demographics in A.S.A.P.® • Set-up FSA plans and limits • Create posting schedules • Expense reimbursement kits (first year for all participants) • Prepare communication materials • Set-up participants and plan year elections in A.S.A.P.® • Non-Discrimination testing <p><i>*Travel and lodging expenses when applicable</i></p> <p><u>Enrollment Options:</u> An employer may choose the enrollment options.</p> <ul style="list-style-type: none"> • Enrollment Packets • Electronic File (Employer prints materials) • Eligibility File • Online Enrollment 	\$3.00/Participant/Year (\$100 Minimum)
IV. Monthly Administration Services <ul style="list-style-type: none"> • Set-up participants and plan year elections in A.S.A.P.® • Claims screening, adjudication, and entry or claim file import • Preparation & distribution of FSA reimbursements • Check and/or direct deposit / Account reconciliation • Processing of new hires, status changes and terminations • Toll-free customer service number • On-Line A.S.A.P.® - employer and employee account viewing & claim filing 	\$4.50/pppm (\$100 Minimum) (plus postage reimbursement)

Monthly administrative fee applies to participants with a balance during the Plan Year run-out period and/or Grace Period. Rates are guaranteed for two years with a two-year contract.

Optional Package Services on following page

DBS Optional FSA Services

Service	Fee
<p>I. <u>DBS Master Account / Direct Deposit of FSA Reimbursements</u></p> <ul style="list-style-type: none"> • Set-up of participant account information in A.S.A.P.® • ACH transfer of funds to cover claims • Reimbursement to participant savings/checking account (if elected by employer) • Issue reimbursement checks from DBS Account 	Included
<p>II. <u>Annual 5500 & SAR report preparation (if applicable*)</u></p> <ul style="list-style-type: none"> • Data gathering and preparation of IRS 5500 form 	\$350*
<p>III. <u>A.S.A.P. ® On-Line Account Viewing/Reports</u></p> <ul style="list-style-type: none"> • Claims & Reimbursements • Reports / Balances • Secure payroll transfer to DBS • Status change and termination processing • Customer support • Plan materials 	Included
<p>IV. <u>Debit Cards</u></p> <ul style="list-style-type: none"> • Set-up of participant account information in A.S.A.P.® • Communication and implementation of debit cards 	\$1.00/pppm (\$50 Minimum) (\$5.00 card replacement fee)
<p>V. <u>Summary Plan Description</u></p> <ul style="list-style-type: none"> • Employer receives a final copy and makes copies to distribute to employees 	No Charge
<p>VI. <u>Electronic Data Download</u></p> <ul style="list-style-type: none"> • Accept FTP transfer for eligibility file from insurance carriers • Accept FTP transfer for claim file from insurance carriers • FSA reimbursements sent to participants 	No Charge
<p>VII. <u>Patient Centered Outcome Research Trust Fund (PCOR) fees:</u></p> <p>The Affordable Care Act (ACA) makes certain benefit plans subject to Patient Centered Outcome Research Trust Fund (PCOR) fees. In general, most health FSAs are not subject to the PCOR fees. If the health FSA is funded with only employee dollars (or the employer contributes less than \$500) and the employer group health plan eligibility is the same as the FSA eligibility, the PCOR fees do not apply.</p>	

****Quote expires 6 months after date of proposal**