

Benefit Administration Services



Flexible Spending Accounts

Health Reimbursement Accounts

Dependent Daycare Accounts

Commuter Benefit Accounts

Debit Cards

Plan Documents

Employee Benefit Statements



EMPLOYERS ASSOCIATION
OF THE NORTHEAST

Your Human Resources & Training Partner

Toll Free: (877) 662-6444
www.eane.org

Flex Account Information Options



TAX SAVINGS FOR YOU AND YOUR EMPLOYEES

What are flex accounts?

Sometimes referred to as flexible spending accounts, cafeteria plans, Section 125 plans, or flex plans, flex accounts let employees set aside a portion of each paycheck into an account – before paying income taxes.

During the year, employees are reimbursed from this account for expenses such as healthcare, dependent daycare, and commuting fees, Reimbursements for qualified expenses are tax-free.

How will my employees save money?

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

- ◆ Federal income tax.
- ◆ State and local taxes (where applicable).
- ◆ Social security tax (assuming the employee's salary is below the maximum social security wage base).

Employees will save 25% to 40% for every dollar they elect.

What happens to the money an employee puts into a flex plan?

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

Who can sponsor a flex plan?

Regular corporations, partnerships, S corporations, limited liability companies (LLCs), sole proprietors, professional corporations, and not-for-profits can all save money on taxes by establishing a flex plan.

While regulations prohibit a sole proprietor, partner, members of an LLC (in most cases), or individuals owning more than 2% of an S corporation from participating in the flex plan, they may still sponsor a plan and benefit from the savings on payroll taxes. "Employee" shareholders of regular corporations may also participate.

ADVANTAGES TO EMPLOYERS

YOU'LL SAVE PAYROLL TAXES

You'll save approximately 8% on every dollar employees set aside from their paychecks to budget for their flex plan. (This is true for employees earning less than the maximum amount taxed for social security.)

CUSHION HEALTH INSURANCE RATE INCREASES

Many employers are passing along a portion of healthcare premiums to employees. A flex plan can be implemented with a simple change that will lessen the impact on an employee's paycheck.

LOWER YOUR HEALTH INSURANCE COSTS

An employers' insurance cost can be lowered by coordinating changes to your health plan with the installation of a flex plan.

SAVE ON RETIREMENT PLAN EXPENSE AND OTHER INSURANCE PREMIUMS

When employees set aside pre-tax payroll deduction for a flex plan, your contributions to 401(k), pension, and workers' comp may also be reduced since they are based on lower taxable salaries.

PLAN FEES CAN BE PAID BY EMPLOYER OR PARTICIPANT

Administrative costs are tax deductible and can be paid by you or your employees. Fees can also be collected by pre-tax payroll deduction from the employee's flex plan account.

Example of employer savings

XYZ Group has 50 Employees	Without a Flex Plan	With a Flex Plan	Your Group
Annual Payroll	\$ 1,800,000	\$ 1,800,000	_____
Employee-Paid Premiums		- 75,000*	_____
Healthcare FSA Expenses		- 15,000*	_____
Dependent daycare FSA Expenses		- 15,000*	_____
Taxable Payroll	\$ 1,800,000	1,695,000*	_____
FICA Tax (7.65%)	\$ 137,700	129,668*	_____
Employer Savings	_____	\$ 8,032	_____

* Based on average plan participation of a 50-life group.

Employees Save 25% to 40% on Everyday Items

The list of IRS qualified items just keeps getting bigger!

Over-the-counter medicines, co-pays at the doctor and pharmacy, contact lenses, prescription sunglasses, LASIK eye surgery, dental sealants, braces for teeth, quit smoking programs, prescribed weight loss programs, before and after school child care, pre-k, nursery school, day camp for kids under 13, daycare for dependent elders and disabled dependents, cost of parking at work, mass transit to and from work.

THE IRS HAS GREAT ACCOUNT OPTIONS TO MEET YOUR NEEDS.

Healthcare Account Option FSA

Flexible Spending Accounts allow employees to set aside a portion of their paychecks (before taxes) into an account to budget for expenses not covered by another health plan. The participant can use the account to pay for over-the-counter medicines, co-pays at the doctor or pharmacy, chiropractic care, eyeglasses, contacts, LASIK, orthodontics, and more.

Daycare Account Options

Child Daycare Accounts

Employees set aside pre-tax payroll deductions in this account to budget for the daycare expenses of a dependent child under age 13.

Elder Care and Adult Daycare Accounts

Employees set aside pre-tax payroll deductions to budget for the expenses of a dependent adult who cannot physically or mentally care for themselves.

Employee-Paid Insurance Premiums

The Premium Only Plan is for employees who share in the cost of insurance premiums. The plan saves payroll taxes for you and employees save \$25 to \$40 on every \$100 they contribute through payroll deduction. Premiums may include an employee's share of employer sponsored health, dental, disability, accident, and group-term life insurance.

take care® Debit Card

With the take care debit card, participants can pay qualified expenses directly from their flex accounts. Employees appreciate the card option because they don't have to reach into their pocket to pay qualified expenses and then wait for a reimbursement.



Now, just about every employee will save by signing up!

Take a look at three typical examples. While everyone is different, they all enjoy big tax savings.

Single parent with one child	Young couple with two children	Mature couple with dependent elder
<ul style="list-style-type: none"> • Co-pays to doctors & pharmacies \$ 135 • Drugs (<i>over-the-counter & prescription</i>) 540 • Eye exams & LASIK 80 • Prescribed sunglasses & eyeglasses 200 • Dental cleanings, fillings & x-rays 160 • Quit smoking program 125 • Before/after-school care & day camp 5,000 • Subway or bus to work 444 TOTAL BUDGETED EXPENSES \$ 6,684 <p><i>Saves \$1,671 to \$2,674</i></p>	<ul style="list-style-type: none"> • Co-pays to doctors & pharmacies \$ 210 • Drugs (<i>over-the-counter & prescription</i>) 720 • Eye exams & LASIK 160 • Prescribed sunglasses & eyeglasses 400 • Dental cleanings, fillings & x-rays 320 • Sealants, crowns & bridges 200 • Braces, spacers & retainers 1,500 • Chiropractic & podiatrist fees 910 • Before /after-school care, day camp, pre-k 5,000 • Parking located near place of employment 444 TOTAL BUDGETED EXPENSES \$ 8,944 <p><i>Saves \$2,236 to \$3,578</i></p>	<ul style="list-style-type: none"> • Co-pays to doctors & pharmacies \$ 360 • Drugs (<i>over-the-counter & prescription</i>) 1,260 • Eye exams & LASIK 2,120 • Prescribed sunglasses & eyeglasses 800 • Dental cleanings, fillings & x-rays 240 • Dentures, sealants, crowns & bridges 1,200 • Chiropractic & podiatrist fees 910 • Physical Therapy 1,560 • Quit smoking program 125 • Weight loss program (<i>for specific disease</i>) 520 • Elder daycare for dependent adult 5,000 • Parking located near place of employment 444 TOTAL BUDGETED EXPENSES \$ 14,539 <p><i>Saves \$1,671 to \$2,674</i></p>

Health Reimbursement Arrangement

INFORMATION AND OPTIONS



What is a Health Reimbursement Arrangement (HRA)?

HRAs go by many names, such as personal care accounts or consumer-driven health care plans. Whatever label you give them, HRAs allow an employer to fund an account to pay employees healthcare expenses that are not covered by insurance.

An HRA account may pay any or all of the same expenses as a Section 125 Health Flexible Spending Account (FSA). Unlike an FSA, only employers can make contributions to an HRA.

What benefits can an employer include in an HRA plan?

Expenses not covered by health insurance. Typical expenses include insurance co-pays and deductibles, medical exams, vision expenses, dental care, mental healthcare, chiropractic services, and prescription drugs. Over-the-counter drugs that are medically necessary, like allergy medications or aspirin, may also be paid through your plan. You may also limit the types of expenses paid through the plan. For example, your plan can exclude big-ticket items like orthodontia and LASIK eye surgery.

What happens to the money that an employer puts into the HRA?

Once you establish an HRA, the plan pays for eligible expenses incurred by participants. Unlike an FSA, there is no requirement that the entire annual allocation be available on the first day of the plan year. HRA funds can be made available all at once or in equal portions throughout the year. It's your option. This means no surprises and no big hits to your budget. You can even allow employees to carry over unused dollars to the next year, or have unused balances forfeited at the end of the year.

How an HRA Works With an FSA Plan

You might be asking – Why would I need both an FSA and an HRA? It's simple – more employee choice and bigger savings.

Since the IRS permits only employers to contribute to an HRA, most employees will also need an FSA if they want to save on expenses that insurance doesn't cover. One size does not "fit all." Let's look at an example.

An employer sets up an HRA and makes annual contributions of \$1,000 per employee. The HRA is coupled with a higher-deductible (\$1,500) group insurance plan.

Employee A estimates his medical expenses for the year at \$3,500. This includes such items as glasses and contact lenses that are not covered by the group health plan.

With only \$1,000 available through the employer-funded HRA, this employee would have to pay at least \$2,500 of medical expenses out of his or her own pocket.

With a health FSA the employee could set aside \$2,500 through pre-tax payroll deductions to pay healthcare expenses and the employer would pay \$1,000 of medical expenses through the HRA plan.

Medical Expenses	Annual Expenses	FSA Reimbursement	HRA Reimbursement
Co-pays	\$ 300	\$ 300	
Deductible	\$ 1,500	\$ 500	\$ 1,000
Glasses	\$ 500	\$ 500	
Orthodontics	\$ 1,200	\$ 1,200	
Totals	\$ 3,500	\$ 2,500	\$ 1,000

Savings for You and Your Employees

HOW THE PLAN WORKS FOR YOU

HRA's mean savings for you and more options for your employees.

Premium savings. By combining a higher-deductible insurance plan with an HRA plan, you can cut the cost of providing healthcare benefits to your employees.

Better benefits at a lower cost. You can choose a limited HRA to pay for items that your health plan does not cover. For instance, the expenses paid by one HRA could be limited to only prescriptions, or you could set up the HRA account to pay for dental and/or vision expenses, you decide!

Rollover options for amounts not used. Employees cannot contribute to the HRA (only employers). So, if your employees don't use all of the money in their individual HRA accounts, you get it back. Or, you can design an HRA that allows a portion or all of an employee's unused funds to roll over to the next year. You can even opt to let employees roll over funds and use them for healthcare expenses during retirement. The decision is yours.

Save more payroll taxes. If you offer an FSA along with an HRA, it's more likely that employees will elect to contribute to their FSA and save you even more payroll taxes.

More valued by employees. Your employees will appreciate the choice, flexibility, and security provided by an HRA. An HRA also makes your employee benefit program a more valuable recruiting tool.

HOW THE PLAN BENEFITS YOUR EMPLOYEES

Your employees will save money and enjoy more freedom and flexibility with their healthcare dollars.

Lower insurance premiums. The most common approach with an HRA is to offer it alongside a "higher" deductible health plan. Then, when an employee incurs expenses that the health plan doesn't cover, the HRA is there to pay that expense. Employers and employees will enjoy the lower premiums that go with high-deductible plans. And, if your employees share in the cost of health insurance, they will save, too.

Extra money for out-of-pocket healthcare expenses. Employees have their HRA, which is a "side" fund that pays for healthcare expenses that are not covered by insurance. If they don't use it, they won't have to lose it. That's because the plan can be designed so employees can carry unused balances into the future.

Freedom to choose. Employees decide where and when to spend their HRA dollars. They are free to choose providers and shop for the best prices. For example, the employee (not the plan) decides whether to select generic or name brand drugs.

Bigger tax savings. Like an FSA, the amounts paid out of the HRA are tax free. Employees can also elect to contribute to an FSA if your HRA contributions aren't enough to pay all of the expenses that insurance doesn't cover.



HRA Plan Design Options

Comprehensive. The Comprehensive Plan pays all medical expenses that are not covered by insurance. These expenses include, but are not limited to, dental and vision fees, chiropractic services, co-pays, deductibles, and insurance premiums. Over-the-counter drugs may also be paid through your plan. This plan could be coupled with a higher-deductible or limited-coverage insurance arrangement or as a stand-alone employee benefit.

Limited. A limited HRA covers only a group of expenses, such as dental or vision. It can also be restricted to single medical expense, such as prescriptions.

Who Can Sponsor an HRA Plan?

Regular corporations, partnerships, S corporations, limited liability companies (LLCs), sole proprietors, professional corporations, and not-for-profits can all save money on taxes by establishing an HRA plan.

While regulations prohibit a sole proprietor, partner, members of an LLC (in most cases), or individuals owning more than 2% of an S corporation from participating in the HRA plan, they may still sponsor a plan and benefit from the savings on payroll taxes. "Employee" shareholders of regular corporations may also participate.

Design & Administration for Flex Accounts, HRA & Dental

PLAN ADMINISTRATION IS EASY WITH OUR SERVICE.



Setup & Employee Enrollment

Our professionals will work with you to ensure that you have the plan documents and forms necessary to setup your plan. We will then conduct employee enrollment meetings to explain this new or enhanced benefit. Our team will support you through the entire process.

Employee Account Management

Employee contributions are collected for each pay period and added to employees' account

balances. Daily services include account balance tracking and claims adjudication. Claims payment by check or direct deposit is on a bi-weekly basis. Payment via debit card is optional.

Participant Assistance

Employees have 24-hour access to their accounts via the internet at www.myflexonline.com, or an automated 800-line. Toll-free access to the participant service center is also provided during the day.

Annual Compliance

Compliance services include reconciliation and reporting of employee account balances, plus compliance with discrimination testing requirements. A "signature-ready" IRS Form 5500 (if required) is provided, along with an Annual Compliance package and information for W-2 Wage and Tax Statements.

How to Get Started

You can start a flex plan at any time. Plus, you can have a short plan year for the first year so that future plan years coincide with either your fiscal year, calendar year, or health plan. The choice is yours.

To set up your flex plan, call **Employers Association of the NorthEast** toll free at **877-662-6444** or email ksmith@eane.org

One of our representatives will contact you to design a custom flex plan or HRA document and set up administrative procedures.

Since employee participation is vital to the success of this plan, we recommend your plan be implemented no sooner than one month after the flex plan is set up for you.

Important Information

- The plan must be in writing and a Summary Plan Description must be distributed to each plan participant.
- Elections cannot be changed or revoked at any time during the plan year unless the participant has a change of status, or the required contributions to pay premiums for the elected benefits change during the plan year.
- COBRA continuation forms may need to be provided to terminating participants in the medical reimbursement portion of the plan. However, COBRA need not be offered for subsequent plan years.
- The plan must provide a written statement by January 31 of every calendar year showing the amounts paid or expenses incurred for daycare expenses during the previous calendar year. This amount is shown on the employee's W-2.
- Employers maintaining flex plans with over 100 participants in the health flex plan must file IRS Form 5500 each year.
- Eligible expenses may be incurred during the plan year and if you elect, for up to 2½ months following the plan year end. Funds elected by participants, but unused, will be forfeited to the plan.
- If transit passes are "readily available" to the employer, the employer must provide transit passes instead reimbursing employees for transit expenses. "Readily available" means that the employer can purchase and distribute transit passes to employees without having the cost incurred by the employer be more than 1% of the value of the transit passes.
- If disability insurance is paid on a pre-tax basis, benefits received from the insurance carrier by the employee may be taxable. Under most circumstances, it is recommended that disability insurance not be included in the plan.
- No more than \$50,000 of employer-sponsored group-term life insurance may be provided to an employee on a pre-tax basis.
- Insurance products with a return-of premium feature cannot be deducted on a pre-tax basis.
- The plan may not discriminate in favor of highly compensated or key employees.
- Because employees do not pay any social security tax on income redirected to the plan, their social security benefits at retirement may be slightly reduced.

Other Benefit Administrative Services

PLAN DOCUMENTS

Few employers realize that they need ERISA-compliant plan documents for all of their health and welfare plans, including fully insured health and dental programs! In addition to main plan documents, employers need Summary Plan Descriptions, up-to-date COBRA general and election notices, HIPAA Certificates of Creditable Coverage, Special Enrollment Rights Notices, Medicare Part D Creditable Coverage notices, etc. Our professionals can review the documents and forms you are currently utilizing, provide updated information as needed, or develop these documents for your organization.

EMPLOYEE BENEFIT STATEMENTS

Benefits are an integral part of your employee compensation strategy. However, in many organizations, benefits are currently underutilized as an incentive for increasing productivity and improving employee satisfaction. It is frustrating for companies to contribute approximately 35% to 45% of wages for their benefits package, and then to see no return on that contribution because employees are unaware of the specific attributes of their benefits program. The Employers Association of the NorthEast customizes Employee Benefit Statements to fit your unique benefit offering. We will facilitate the design of the statement and the compilation of individual information.

When employees understand their benefits, they can develop a comprehensive appreciation of their total compensation package, increase their satisfaction and improve productivity. Don't wait! Get the most from your benefit dollar today!

SELF-FUNDED DENTAL PLAN

ADMINISTRATION

Increasingly employers and employees are realizing that dental insurance may not be providing enough benefits to justify the cost and are therefore turning to self-insured dental plans. As the plan sponsor you have control over what procedures will be covered, what benefits will be paid, and how they will be paid. Our professionals can assist you in developing the benefit schedule and payment levels that will meet your employees' needs. Debit cards are available for this option!



BENEFIT PLAN ANALYSIS

When was the last time you completely analyzed your benefit package? Are the options you are offering appealing to your employees? Is your package competitive in the marketplace? Should you be offering an opt-out feature? Should you be offering a three-tier program? Should your plan be covering spouses or dependents who are employed and eligible for health insurance elsewhere? Have you asked your employees how satisfied they are with the benefit package? The Employers Association of the NorthEast can assist you in answering these questions. Our professionals can take an objective look at your package and recommend changes that will positively impact employee morale. We are not an insurance agent or broker so we work with you and your broker to identify the options and plans that will efficiently and effectively utilize your benefit dollars.



Your Service Provider



The Employers Association of the Northeast is an association founded by and for employers to assist organizations in the critical task of managing human resources productively, cost effectively, compliantly and ethically. We are entering our second century of providing one-stop, high quality human resources and training programs to employers of all types and sizes. All of our comprehensive list of services are remarkably cost-effective, allowing you to take care of business while we take care of your special projects.

Our benefit administrative services are customizable and compliant. For over ten years, we have been proactively meeting your needs as an extension of your business. Working with you, we structure the services that fit your organization.



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