

Flexible Spending Plan Administration Tips



An Introduction

We ask that you consider Advanced Benefit Strategies (**ABS**) to be an extension of your Human Resources/ Payroll department.

It is crucial that you keep us updated with all participant information so that we can work together to run the most efficient program possible.



Please take some time to review the following information so that we can serve you better.

Employee Information

It is important that we have updated e-mail and mailing addresses for all participants. If there is a change of address, we ask that you inform ABS so we can guarantee that participants will receive their reimbursement checks without a delay.



Employee Elections

An **FSA Election Report** allows you to review each employee's plan participation and annual election, as well as the amount that will be deducted each pay period to ensure the employee's annual election is met.

**** Elections must be calculated **to the penny**. The IRS does not allow rounding of annual elections.*



Employee Elections: Qualifying Events

The IRS states that a participant may not enroll in the plan, terminate participation, or change his or her election unless one of the following **qualifying events** occurs:

- Marriage
- Divorce
- Birth of a child
- Adoption of a child
- Death
- Leave of absence
- Change in work status
- Loss of coverage



** The change must be consistent with the qualifying event.*

COBRA Coverage

When a participant terminates employment, a COBRA option must be offered if that participant's account has a positive balance.

ABS will provide you with the calculation and information to assist you with COBRA administration.



Be sure to contact ABS for more information upon termination of a participant.

Payroll Deductions

An FSA plan is structured around the set number of pay dates within a plan year. **Equal deductions** are taken for each payroll cycle, which ensures that every employee's annual election is funded to the full amount.

Number of deductions for each payroll cycle:



- Weekly = 52 deductions
- Bi-weekly = 26 deductions
- Semi-monthly = 24 deductions
- Monthly = 12 deductions

Payroll Coupon

The **payroll coupon** is a spreadsheet created for your company by ABS that lists the expected per-payroll deductions by participant.

Some points to remember:

- > It is imperative that you use our payroll coupon when sending deductions.
- > Always fill in the pay date in the top right corner of the coupon.
- > If there are any changes to the deductions or to employee status, as long as you inform us of the change, your account manager will provide you with an updated coupon.

Payroll Coupon (continued)

> At no time should you make any changes to the "Expected Payroll" column. Note your changes in the "Adjustments" column and add enrollments or terminations in the spaces provided on the coupon.

> You must point out all differences. For example:



- Addition (new hire)
- Termination
- Missed deduction
- Leave of absence
- Change in deduction amount

> A new Payroll Coupon is confirmation that we have processed a change to your company's plan.

Reimbursements

Eligible claims received in our office Monday through Friday are processed and paid out the following Wednesday.

Claims must be submitted with a signed Reimbursement form.

The IRS requires substantiation of all claims. When sending a claim to ABS, a participant **MUST** include:

- Name and address of the service provider
- Person for whom the service/expense was provided
- Detailed description of the service/expense
- Date the service/expense was incurred
- Amount charged for the service

Direct Deposit is another convenient means of reimbursement if your company chooses to offer this option.



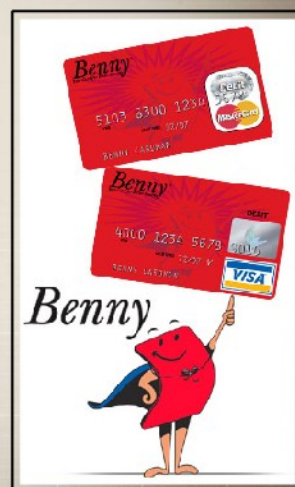
Reasons a Claim May be Denied

- ◆ An itemized statement from the provider is needed
- ◆ We cannot accept cancelled checks
- ◆ We cannot accept credit card receipts or credit card statements
- ◆ We cannot accept balance forward statements
- ◆ An EOB from your insurance provider is required
- ◆ A doctor's note stating the specific medical condition that requires the treatment is needed
- ◆ Invalid date (after termination, after runoff, prior to effective date, etc.)
- ◆ Item/service not covered per IRS guidelines

The Benny™ Prepaid Benefits Card

The Benny™ Card conveniently deducts monies directly from your Flexible Spending Account for qualified health expenses. Whether at the pharmacy or at the doctor's office - just use your Benny™ Card and that's it, no paying cash up front!

If your company does not currently take advantage of the ease and efficiency of the Benny™ Card, talk to your ABS account manager about how you can get on board!



Some Benny™ Reminders...

Use your Benny™ Card for:

- Dental work (non-cosmetic)
- Prescription and doctor visit copays
- Eligible over-the-counter medical items
- Eye exams and prescription glasses or contacts
- Much more!

REMEMBER: Participants must keep all receipts, as the IRS may require substantiation.



Discrimination Testing

The IRS requires every company with a Flexible Spending Plan to complete **discrimination testing**. The purpose of these tests is to ensure that the plan is fair to all participants and does not favor highly-compensated employees.

Look for a discrimination testing form to be sent to you at the beginning of the plan year. Contact your account manager at ABS with any questions regarding the completion of this form.



Monthly Ledger Summary

The **ledger summary** is a monthly accounting report detailing each participant's deposits, eligible claims, eligible paid claims, account balances and cash balances.

➔ **Account balance:** deposits minus claims
Cash balance: deposits minus paid claims

- Use this report to check your records against ours.
- You can also access this report on the ABS website.



Quarterly Invoice Fees

Each quarter, you will receive an e-mailed invoice from ABS for fees associated with participants.



Please note: The IRS requires the fees to be sent in a separate check from payroll deductions.

Runoff and Grace Period

Runoff: The 90 days following the end of a plan year to allow for the submission of claims for services incurred in that plan year.

Grace Period: (Optional, on a plan-by-plan basis)
An additional 2 1/2 months at the end of a plan year in which participants who have not used all of their funds may incur claims. These claims must still be submitted within the runoff period.



Forfeiture

Approximately 2-3 months after your runoff period is complete, ABS will audit your plan to determine the final balance on your account. You will be reimbursed or invoiced accordingly.

Please Note: The IRS has strict rules regarding the distribution of returned funds. Please contact ABS for information about these options.



Our Website

The Advanced Benefit Strategies website offers various tools and information to help you administer your FSA Plan as efficiently as possible:

- As the administrator, you can log in and view a summary of your plan

Username: Your company's tax ID number

Password: Your account number (on Payroll Coupon)

- Plan participants can access their account information

*Username: Social Security number (no dashes)
or an assigned employee ID number*

Password: Secure PIN provided by ABS

Our Website (continued)

- View a list of items that are eligible for reimbursement

> Click the **Employees and Plan Participants** tab

> Click the link on the right called "How to Take Full Advantage of Your ABS Flexible Benefit Plan"

> Scroll down to view lists of eligible expenses

- View and print all forms, including Enrollment and Reimbursement forms, as well as the Benny™ Card Submittal of Receipts form

> Click the **Employees and Plan Participants** tab

> Click the link on the right called "How to Submit a Reimbursement"

> Select the form of your choice from the list that appears

We look forward to working with you!

Please do not hesitate to contact ABS at any time with questions and concerns, or for further clarification.

