ADMINISTRATIVE SERVICES

benefit coordinators

VISION · STRATEGY · BALANCE

Post Office Box 197 • Irmo, SC 29063 • 803.772.0110 • 800.951.1012

SIMPLIFYING THE WORLD OF EMPLOYEE BENEFITS!

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Thank you for considering Benefit Coordinators, Inc. for your benefit administrative services.

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For over 30 years, Benefit Coordinators, Inc. has brought innovative benefit administrative services to companies throughout South Carolina and the Southeast.

We are a licensed, bonded and insured Third Party Administrator (TPA), whose services include Section 125 Cafeteria Flexible Spending Accounts (FSA) and Premium Only Plans (POP), Medical Expense Reimbursement Plans (MERP), Health Reimbursement Accounts (HRA), Health Savings Accounts (HSA), COBRA, and other business administration services that keep your plans compliant and cost effective.

Our experienced staff and automated systems help relieve administrative and compliance issues while allowing you and your employees to benefit from tax savings derived from using tax advantage accounts.

We strive to educate you and your employees enabling you to take full advantage of the tax savings allowed under the Internal Revenue Code (IRS). We have learned that an educated employee better utilizes the medical plan and the dollars that you are spending for it. They better understand how to save tax dollars and take advantage of the plans. In turn they are more satisfied with your benefit program.

Our knowledge and creative plan designs allow you to reduce the premiums you send to the insurance carriers and taxes you pay to the IRS while maintaining a comprehensive benefits program.

Take a look at how you and your employees can benefit from our programs.

We appreciate this opportunity to work with your company. Please review the attached materials for more information on our plans and services.

If you have any questions please contact James Barrett at 800.951.1012 extension 105.

About Benefit Coordinators, Inc.

Expertise

Benefit Coordinators, Inc. has been administering Section 125 Cafeteria Plans as well as other employee benefits since 1987. We are one of the oldest and most experienced employee benefit administrators in the Southeast.

Your Protection

Licensed, Bonded and Insured. Those three words are very important when outsourcing your benefit administration. Most Third Party Administrators are not insured for the liability in the event of an error under COBRA Administration. You may get back a portion of the administration fees if the TPA makes an error, but what about the $1,000,000 medical bill that you have to pay because of that error? BCI has the insurance to cover any errors, should they occur.

Technology

Through the use of our convenient online technology, we have produced efficiencies that enable us to provide exceptional service at a reasonable price. Available 24 hours a day, our website allows both employees and employers to access information as well as perform essential tasks.

Service

Our objective is to demonstrate service levels that surpass our client's expectations. We have defined our fundamental capabilities below:

- Claims are processed within 24-48 hours of receipt
- Prompt claim payment
- Automated, online enrollment processes
- Automated, online employee account inquiry
- Rapid follow-up
- Superiority in legal compliance

Why Benefit Coordinators, Inc.?

We bring the best in service, technology and experience to better design and administer your plans.

- Plans are properly communicated to your employees
- Plans are easy for employees to understand
- The employee reimbursement process is easy
- Plan information is easily accessible

The results of this are:

- Greater employee satisfaction
- Greater employee tax savings
- Greater employer FICA, SUTA and FUTA savings
- Greater employer and employee benefit dollar savings

Online Access for HR

Our HR portal is the solution to all of your administrative needs. Through this fully-integrated site, we can help you streamline your everyday human resources operations. Once you have logged onto the site, you can manage every aspect of your company's benefit administrative services.

- Section 125 Cafeteria Plan
- Flexible Spending Accounts (Medical, Limited Purpose, and Dependent Care)
- HRA Plan
- COBRA
- Health Savings Accounts

What is a Cafeteria Plan?

Section 125 Cafeteria Plans are plans designed to allow employees to pay for certain expenses, such as group insurance benefits, unreimbursed medical expenses, and dependent care costs with pre-tax dollars. This enables employees to choose where benefit dollars are spent. It is one of the few employee benefit plans that allow both the employee and employer to save.

Employee Advantages

- Tax savings from State, Federal, and FICA- lower taxable income
- Financial planning for medical and dependent care expenses
- Options in choosing benefits
- Employees can give themselves a raise and an advance!

Employer Advantages

- Monetary savings to the company- save on payroll taxes
- Flexibility in managing rising benefit costs
- Flexibility in benefit options
- Attraction and retention of employees – eliminates matching FICA taxes of 7.65% on every dollar the employee contributes to the plan

Employer's Legal Compliance & Requirements

- Plan documents must be prepared and maintained – Adoption Agreement defines plan guidelines
- Plan year must be chosen – IRS requires plan year to be no more than 12 months
- Discrimination testing must be performed – so as not to favor highly compensated employees or owners
- A 5500 report must be filed annually after the plan year has ended when applicable
- Some plans are required to follow Employee Income Security Act (ERISA) regulations
- All plans must forbid midyear election changes unless a status change has occurred
- All monies that go unclaimed by the end of the plan year are forfeited back to the employer, which can be used to offset the premiums or administrative costs

Elements of Cafeteria Plans

- Pre-tax insurance premiums (POP)
- Health Flexible Spending Accounts (HFSA)
- Dependent Care Flexible Spending Accounts

Premium Only Plans (POP)

This is the most widely known of all the cafeteria plans. This plan reduces the income tax liabilities for the employer and employee. IRS Section 125 allows employees to make salary deduction elections to pay their portion of medical insurance costs using pre-tax dollars. The following are examples of group medical premiums that are qualified to be pre-tax:

- Group Health Insurance
- Dental Insurance
- Vision Insurance
- Disability Insurance*
- Group Term Life Insurance**
- Cancer Insurance
- Intensive Care Insurance
- Accident Insurance

*Disability benefits are taxable when premiums are placed pre-tax.
**Term Life limit-up to $50,000 pre-tax on employee only.

Employer Legal Obligations for a POP

- Plan document
- Non-discrimination test

Setup Fees Include

- Corporate Resolutions
- Plan Documents
- Adoption Agreement
- Summary Plan Description
- Employee Salary Reduction Agreements
- Discrimination Testing
- Changes in Status Forms/Instructions
- Toll Free Telephone Support

Renewal Fees Include

- Discrimination Testing
- Toll-Free Telephone Support
- Re-enrollment Materials
- Restating documents as required by law

Charges based on the number of Employees on payroll at anytime during the month. Employees are those individuals who are on the Employer's payroll and other non-employee individuals that are eligible to participate such as "leased employees." Fees are subject to change.

Health Flexible Spending Accounts (HFSA)

This plan allows employees to use pre-tax dollars to bridge the gap between out of pocket expenses not covered by health insurance. The Health FSA reduces payroll taxes for the employer and employee making it a popular benefit option. For the employee, it's like receiving a 30% discount on medical, dental and vision care expenses!

Internal Revenue Service Publication 502 lists the eligible tax-free expenses. The expenses must be incurred by the employee or their dependents while participating in the plan. Below is a partial list of tax-free expenses eligible under a Health FSA.

Eligible Expenses

- Adoption – Medical Expenses
- Alcoholism Treatment
- Ambulance
- Artificial Limbs & Teeth
- Birth Control Pills & Devices
- Braille Books / Magazines
- Coinsurance Amounts
- Contact Lens & Solution
- Crutches
- Dental Treatment (non-cosmetic)
- Diagnostic Testing
- Drug Addiction Treatment
- Durable Medical Treatment
- Eye Exams & Eyeglasses
- Fees to Physicians
- Guide Dog
- Hearing Aids & Batteries
- Hospital Services
- Injections/Vaccinations
- Insulin
- Laboratory Fees
- Medical Supplies
- Nursing Care
- Occlusal Guards
- Orthodontia
- OTC Medications & Menstrual Care Products
- Oxygen
- Physical Exams
- Physical Therapy
- Prescription Drugs
- Prescription Sunglasses
- Lasik Eye Surgery
- Smoking Cessation Program
- Special Schooling (Handicapped Family)
- Speech Therapy
- Transplants
- Transportation for Medical Care
- Wheelchair

Ineligible Expenses

- Any Illegal Treatment
- Cosmetic Procedures
- Cost of Illegal Drugs
- Funeral Expenses
- Health Club Dues
- Massage Therapy
- Marriage Counseling
- Non-prescription Sunglasses
- Vitamins
- Parenting Classes

Legal Obligations for a Health FSA

- **Uniform Coverage Rule:** Whatever the employee elects to place in the Health FSA, the monies are "accessible" to the employee anytime. For example, if the employee has elected $1,000 per year and has a claim for glasses for $250.00 in the first month of the plan, the full amount is required to be paid in full to the employee. Your risk is alleviated in several ways.
  - We partner with your staff to notify us when an employee is leaving employment
  - In the initial plan design phase you may limit the amount employees elect per year
- **Use It or Lose It Rule / Carryover:** If funds the employee elects in the FSA are not claimed by the end of the grace period from plan year end, they are forfeited to the employer. Or, if Carryover provision is adopted amounts up to $550 can be carried forward to the following plan year.
- **Claim Filing:** Services must be rendered within the plan year or at the end of the 2 1/2 month grace period extension, if adopted. All claims for medical expenses must be submitted within the designated time frame. Finally, claims must have attached documentation, which must include proof of service (date of service, description, charge, and whom services were rendered) and a claim form.

Dependent Care FSA

Dependent Care Flexible Spending Accounts enable employees to make special pre-tax elections from their paycheck to fund child and adult daycare expenses. The expenses must be necessary to allow one or both parents to work, look for employment, or go to school. This plan can reimburse up to $5,000 annually or $2,500 if the employee is single or married but filing separately.

Who is a Qualifying Dependent?

- Dependent of the enrolled employee under age 13
- Dependent or spouse of the enrolled employee who is mentally or physically challenged, and who the employee claims as dependent on his/her federal income tax return

Claim Filing

- Services must be rendered within the plan year
- Services must be incurred prior to reimbursement
- Educational programs and transportation are ineligible expenses unless the attendance allows the employee or spouse to work, look for work, or attend school full-time
- Claims are paid based on the contribution level in the employee's account
- A bill or receipt from the provider is required
- Claim forms must be completed, signed, and dated with documentation attached

FSA Plan Service Fees

- Charges are based on the number of participants in any FSA at any time during the month. A participant is any individual who has or has had $1 in their FSA account at any time during the plan year.
- Reimbursement checks are processed on a schedule specified by the employer.
- Prices are subject to change.

Setup Fees Include

- Employer Administration Guide
- Corporate Resolutions
- Plan Documents
- Adoption Agreement
- Summary Plan Description
- Employee Salary Reduction Agreements
- Claim Forms/Instructions
- Changes in Status Forms/Instructions

Plan Services

- Claim Processing
- Employee Enrollment Meetings*
- Management Reports
- Toll-Free Telephone Support
- Online Employer & Employee Account Access
- Mobile App
- Contribution Billing Reports
- IRS Form 5500 (if required)
- Discrimination Testing
- Account Balance Reports

**Employee meetings held outside South Carolina will incur an additional charge of $50 per hour plus travel expenses.*

What is a Health Reimbursement Account (HRA) Plan?

Health Reimbursement Accounts (HRA) are accounts sponsored by the employer to reimburse employees for unreimbursed medical expenses. It can be offered in conjunction with any type of medical plan.

Employees can use the allocated money in the account towards expenses deemed eligible by the employer. Examples of eligible expenses can be medical deductible or out of pocket expenses, physician copayments, prescription deductible and/or copayments, dental and vision expenses. Unused funds can rollover for use in future plan years and for other expenses.

Many employers find that if they raise their medical deductible, they lower their premiums significantly enough to use part of the savings to reimburse the employee a portion of the deductible.

Advantages of an HRA

- HRAs are available to any size group and can be combined with any type of medical plan
- Accounts do not have to be pre-funded; funds are allocated
- Employer retains ownership of account if employee terminates (COBRA eligible)
- Employer increases employee benefits while decreasing cost

Employer's Legal Compliance & Requirements

- Plan documents must be prepared and maintained – Adoption Agreement defines plan guidelines
- Plan year must be chosen – IRS requires plan year to be no more than 12 months
- Discrimination testing must be performed – so as not to favor highly compensated employees or owners
- A 5500 report might be required to be filed annually after the plan year has ended when applicable
- Some plans are required to follow Employee Income Security Act (ERISA) regulations
- All plans must forbid midyear election changes unless a status change has occurred

HRA Plan Service Fees

- Charges based on the number of participants at any time during the month. A participant is any individual who has or has had $1 in their HRA account at any time during the plan year.
- Reimbursement checks are processed on a schedule specified by the employer.
- Prices are subject to change.

Setup Fees Include

- Employer Administration Guide
- Corporate Resolutions
- Plan Documents
- Adoption Agreement
- Summary Plan Description
- Plan Announcement Letter
- Claim Forms/Instructions
- Changes in Status Forms/Instructions

Plan Services

- Claim Processing
- Employee Enrollment Meetings*
- Management Reports
- Toll-Free Telephone Support
- Online Employer & Employee Account Access
- IRS Form 5500 (if required)
- Mobile App
- Account Balance Reports

**Employee meetings held outside South Carolina will incur an additional charge of $50 per hour plus travel expenses.*

What Are You Buying?

FSA & HRA Plan Administration Fees

Annual Compliance

- **Plan Document:** Benefit Coordinators updates and maintains the plan document with the latest regulations.
- **Signature Ready 5500 Preparation:** Only plans with 100+ participants in the health flexible spending account need to file a 5500.
- **Non-Discrimination Testing:** This is performed at the beginning of the plan year and as often as needed to ensure that the highly compensated employees and owners are not favored.
- **Legal Questions:** Most legal questions are included with our plan setup fees. However, if a special request outside of the usual requirements or unique research is necessary, we will charge the actual attorney fees.

Setup Fee

This is for the time and material that is necessary to put the plan into operation.

Renewal Fee

This is for the renewal of the plan.

Monthly Administration Fee

This fee covers the cost of the daily administration of the plan. This includes claim processing, reimbursement processing, answering employee and employer questions, among other duties.

Other Items Included

- **Educational Meetings:** These can be set up at the convenience of the employer. With our flexible schedules, Benefit Coordinators will stand ready to answer and assist any questions or concerns you may have. Employer packets are also available.
- **Online Forms:** Employees and employers may download forms and materials they need from the website.
- **24 Hour Account Access:** Through our website, employees may check the status of claims or their account anytime they wish.
- **Toll Free Answer Center:** Employees can speak to a Benefit Specialist regarding their account and claims Monday through Thursday from 8 am – 5 pm and on Fridays from 8 am – 4 pm.

Plan Installation

Once the employer has chosen Benefit Coordinators there are several things that must be completed to guarantee accurate and efficient installation of the plan.

- New client application must be completed in full
- Adoption Agreement must be signed and returned
- Plan Documents must be signed and returned
- Discrimination Testing must be completed and returned
- Employee enrollment forms must be completed and returned by all eligible employees

Debit Card

The debit card brings simplicity of use to FSA and HRA accounts. The card acts as a pre-paid card for Health FSA and HRA accounts. The amount the employee elects for their account becomes the balance that is available on the card unless the employer sets a lower limit. They are able to then utilize the card to pay for eligible expenses at legitimate locations, without having to wait on the reimbursement.

How it Works

VISA assigns merchant codes to every vendor; such as a pharmacy, restaurant or a gas station. We have the ability to approve the card for medical related only merchant codes. Strict limitations can also be forced on the card to guarantee eligible expenses. For example, if the card is only set up to accept a pharmacy prescription benefit of a $20 co-pay, the system will "flag" anything over or under that amount, which will then require the employee to submit additional documentation to substantiate the charge.

Easy to Use

The debit card is simple to use. Whenever the employee has an eligible expense, the card is swiped. Many employers that have made this card available have recognized greater participation, which results in greater tax savings for the employer and employee. For expenses other than a copay match, the employee is required to submit proper documentation along with a claim form for substantiation (unless the employer requests otherwise).

COBRA Administration

The Consolidated Omnibus Reconciliation Act (COBRA) requires that qualified employers provide legally compliant notices and procedures to ensure that eligible employees and dependents have the opportunity to continue their benefits in the event of a qualifying event. Non-compliance penalties are very high.

Non-Compliance Penalties

- IRS excise tax penalty of $100 per day for each violation. Can be increased to $200 per day if there was more than one qualified beneficiary per family.
- ERISA penalty of $110 per day, payable to each qualified beneficiary.
- **Employers can be held liable for payment of all legal fees, court costs and medical claims.**

By outsourcing your COBRA administration to Benefit Coordinators not only will your company be in compliance with the rules and regulations, but you can be certain that your employees and their dependents are protected.

We recommend that Benefit Coordinators take over your COBRA administration for the following reasons:

- Reduce company liability
- Reduce company overhead
- Streamline administration and reduce redundancies

Services Provided

- Mail Initial Notifications to all Qualified Beneficiaries by First Class Mail with Certificate of Mailing
- Mail Qualifying Event notices to all Qualified Beneficiaries by First Class Mail with Certificate of Mailing
- Process COBRA elections
- Mail enrollment confirmation and payment coupons to Participants
- Process COBRA enrollments, changes, terminations with carriers
- Notify Participants and Qualified Beneficiaries of any benefit or rate changes
- Send late premium and insignificant premium letters
- Provide conversion notices
- Process monthly premiums
- Handle COBRA participant phone calls and disputes
- Administer disability extensions
- Administer Secondary Qualifying Events
- Maintain all documentation regarding Participants and Qualified Beneficiaries
- Send employer a consolidated premium reimbursement (direct deposit) once per month
- Provide full management reports to include premium received, notifications mailed and participant and qualified beneficiary activity

Optional Services Available

- Mail Initial Notifications to all current employees to ensure employer compliance

COBRA Plan Service Fees

Setup Fees Include

- COBRA Policies and Procedures Guide
- Administration Service Agreement
- Participant and Qualified Beneficiary Administration Takeover Letter

Renewal Fees Include

- Benefit re-enrollment
- Rate and benefit change letters to Participants and Qualified Beneficiaries
- Updated Policies and Procedures Guide (if necessary)

Optional Fees

- Initial Notices to all Employees

Please note Benefit Coordinators retains the 2% administration fee.

HSA Administration

The idea behind high deductible health plans is to send less money to the insurance carrier and to put the premium savings in a tax free account (HSA). This enables the employee to use the premium savings to pay for their small medical bills and carry over any unused money for future use. There are two parts to the program, the medical plan and the Health Savings Account (HSA). To open an HSA an employee must have a qualified high deductible health plan and cannot have any underlying medical coverage, including coverage under a spouse's FSA Account.

An HSA is a tax-free savings account that an employee can use to save money and pay for qualified health care expenses with tax-free dollars. Plus, unused funds roll over from year to year and continue to earn interest tax-free, increasing the benefit of today's savings. Employees can also choose to invest their HSA funds through a variety of options in our system!

Benefit Coordinators, Inc. is your Plan Service Provider. We will help you put the pieces together.

With a typical HSA solution there are numerous entities involved:

- Account Holder
- The Employee
- The Employer
- The HDHP Carrier/TPA
- Insurance Agent/broker
- The Custodian – WEX, Inc., a division of Bell Bank & Trust

Everyone has a strategic role to play … but how do they fit into the big picture?

Our platform embraces everyone's role and also recognizes that the employee, employer, carrier and custodian all need the expertise of an independent HSA expert to ensure compliance and ease the administrative burden.

As the Plan Service Provider, Benefit Coordinators works with the insurance agent to design the right plan for the group or help them understand how an HSA can work with a Cafeteria Plan, HRA, or Limited-Purpose FSA.

Complete Account Management at your Fingertips

All account holders would have online access to their account. Through our website employees can enroll online, make deposits and withdrawals, as well as track expenses. Tracking expenses allows account holders to enter expenses and store documentation/receipts should the IRS ever audit their HSA. It also allows account holders to accumulate eligible expenses so that they can withdraw the money without tax or penalty at a later date if they choose to do so.

The accounts can also be accessed 24/7 through our Mobile App – BCI4me (available in your smart phone's app store).

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