

REQUEST FOR BOARD ACTION / CONTRACT CONTROL FORM

Tracking Number: 6

Date of Request: August 8, 2007

Date Request Received: August 8, 2007

Board Meeting Date Requested: August 20, 2007

Board Meeting Date Assigned: 8/20/07

Short Title: Introduction To The Flexible Spending Account Program

Request Status:
 Request is proceeding to Board of Commissioners
 More information is needed – see attached
 Request on hold – no further information needed
 Other:

Background: Pender County is offering a new benefit to its employees. The Flexible Spending Account Program begins September 1, 2007. Each year employees are able to set aside pre tax dollars into a spending account for out of pocket medical expenses. This program utilizes a flex debit card for convenient access to these pre tax funds.

(Administrative Use Only)

The county set an individual maximum limit of \$1500 per employee contribution into the plan for this inaugural year. The first year will be an abbreviated 10 month plan year comprising of 21 pay periods.

CONTRACT TYPE

The cost to the county is \$2.00 per month/ per person participating. Total admin fees equal \$1140 total this plan year.

Renewal
 For Service(s)
 Intergovernmental – County as Grantee
 Federal Grantor
 State Grantor
 Grant or
 County as Grantor
 County Funds
 Other Funds

The set up fee of \$500 was waived by the administrative company.

We had 58 employees enroll in the plan. Collectively they contributed \$46,070.00 pre tax dollars into their accounts through payroll deduction. Each employee will use their account to pay for out of pocket medical expenses for themselves and their dependents.

PURCHASING Budgeted Item: Yes No
Date Rec'd: Reviewed and Approved
 Comments on Reverse

Date Sent: Signed:

Specific Action Requested:
Presentation is for general introduction to the program.

ATTORNEY Reviewed and Approved
Date Rec'd: Legal Problem(s)
 Comments on Reverse

Date Sent: Signed:

Requested by: Jennifer Hedge
Department: Human Resources
Title: HR Director
Contact Phone: 910.259.0212
Contact Fax:

FINANCE Sufficient Funds Available
Date Rec'd: Not Available
 Budget Amendment Necessary
 Budgeted Amendment is Attached
 Comments on Reverse

Date Sent: Signed:

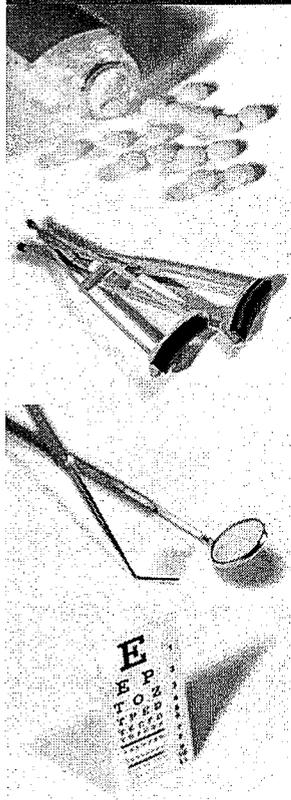
CLERK Signature(s) Required:
 Board Chairman/County Manager
 Other:

Date Rec'd Approved by Board: Yes No
At meeting on

FLEXIBLE SPENDING ACCOUNTS

PLAN YEAR: _____

HEALTHCARE REIMBURSEMENT



If you or qualified dependents are currently paying for non-reimbursed healthcare expenses such as:

- *Medical, dental, vision and drug copays / deductibles.*
- *Medical expenses not covered by your group insurance plan.*
- *Eyeglasses, lenses and vision correction surgery*
- *Over the counter medications used to treat a health condition*

You may elect to have those expenses deducted from your paycheck and placed in a flexible spending account (FSA) on a pre-tax basis. The FSA can save you at least 30% in taxes on the money you place in it.

HOW IT WORKS

- You may elect to deduct up to \$_____ per family per plan year.
- Your annual election is divided evenly and deducted over ____ pay periods.
- You are reimbursed the tax-free FSA money as you file claims for eligible expenses. You may file claims as frequently as once a week.
- **You may claim expenses for your qualified dependents even if they are not covered by your employers medical/dental plans.**

ADVANTAGES

- Easy way to save for expected healthcare expenses.
- 30% tax savings (the higher your tax bracket the greater the savings)
- Quick claim reimbursement (7-10 days from filing)

CHILD/DEPENDENT CARE REIMBURSEMENT



If you are currently paying for child or dependent care on a qualified person, you may elect to have those expenses deducted from your paycheck and placed in a flexible spending account (FSA) on a pre-tax basis. This FSA will also save you 30% in taxes on the money you place in it.

-Children up to age 12 are eligible

Employees may elect to deduct up to \$5,000 per calendar year per family. The amount elected will be divided evenly and withheld tax free from ____ paychecks, depending on your pay cycle.



Spending account participants must account for the money deducted from their paycheck. **Claims must be filed with receipts from their child/dependent care provider before employees receive the tax free child/dependent care check.** If claims are filed in a timely manner, employees will receive their benefit check on the payday following the claim.

When participants file their taxes at the end of the year, they will complete the Child/Dependent Care Credit Schedule (IRS Form 2441). On this form they must identify who they paid and how much they paid them (Federal Tax ID# or Social Security #).

** Balance statements will be sent to each employee 30 days before the end of the plan year. Any money deducted and not spent by the end of the plan year is forfeited.*



Employers Direct Health

For Questions Regarding Flexible Spending Plans
You can contact us at the following:
(800) 550-8009 menu option 1,1,4
(972) 367-3191 fax#
FLEX@EDH.COM

A Flexible Benefits Plan Helps your paycheck buy more!

Sometimes referred to as a Cafeteria Plan, Flex Plan, or a Section 125 Plan - Flexible Benefits Plan lets you set aside a certain amount of your paycheck into an account - before paying income taxes. During the year you have access to this account for reimbursement of expenses you regularly pay for, such as health care and dependent daycare.

Reimbursable expenses can include:

- Deductibles, Co-pays, and Prescription Drugs
- Expenses not covered by insurance
- Dental Services & Orthodontics
- Adult & Child Care Services
- And More!

When you use tax-free dollars to pay for these expenses, you realize an increase in your spending power, and substantial tax savings.

Here's how it works...

Example: An employee makes \$2,000 each month and decides to participate in his/her employer's Flexible Benefits Plan. As a result, her insurance premiums and health and daycare expenses are Paid with tax-free dollars, giving him/her an additional \$100 each month!

A Flexible Benefits Plan Helps your paycheck buy more!

Without the Plan

Your Paycheck With A Plan	
Salary	\$ 2,000
FICA, federal, state taxes	- 500
Insurance premium	- 100
Health & daycare expenses*	- 300
Net Pay without a Plan	\$ 1,100

With the Plan

Your Paycheck With A Plan	
Salary	\$2,0 00
Insurance premium*	- 100
Health & daycare expenses*	- 300
Adjusted earnings	1,600
FICA, federal, state taxes	- 400
Net Pay with a Plan	\$ 1,200

It's as easy as...

1

Carefully read this material and choose which options make sense for you to participate in.

2

Determine how much you expect to spend during the year for each option.

3

Complete the attached Participation Form & return it to HR.



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What is a Flexible Benefits Plan?

A benefit provided by your employer that lets you set aside a certain amount of your paycheck into an account before paying income taxes. Then, during the year you can be directly reimbursed from your account for qualified healthcare and daycare expenses.

Why should I participate in the Healthcare Reimbursement Account when I already have health insurance?

This account is used to pay for expenses not covered by insurance. For example – annual physicals, co-payments, eye exam, glasses, orthodontics, prescription drugs, over the counter drugs and hospital care to name a few.

If I set aside part of my pay, won't I make less money?

No. Your net take-home pay will increase by the amount of taxes you did not pay. An example of how it may work for you is detailed on the inside of this brochure.

Can I change my contributions during the year?

Only if you have a change in status such as: marriage, birth, adoption, or a change in your, your spouse's, or your dependent's employment status.

What if I currently take the dependent care credit on my annual tax return?

If your family income is over \$20,000, you will most likely benefit from this plan rather than taking advantage of the current income tax credit. The amount you deposit in your Dependent Care Reimbursement Account reduces the amount, dollar for dollar, that you can claim as a credit on your tax return.

How do I get reimbursed for my expenses?

Once you have completed the attached Participation Form, you will receive the claim form. Simply complete the claim form, attach copies of healthcare or dependent care receipts. You may submit this information by mail, fax or email. Please see Flexible Spending Claim Form for number, address and email address. Within a short time, you will receive your reimbursement.

Do I have to wait for the money to be deposited in my account in order to make a claim for reimbursement?

The annual amount you have allocated for the Healthcare Reimbursement Account is available to you at any time throughout the plan year. The amount available to you from your Dependent Care Reimbursement Account is the amount you have contributed to date.

How do I know how much is available in my accounts?

Employees are sent quarterly reports showing account updates. We also have an online portal where balances and claims can be viewed. Please check with your Plan Admin to verify if they will be accessing the online portal. A reminder letter will be sent to employees informing them of balances remaining and when the deadline to submit those claims will be. This letter is normally sent out 30 days before the current plan year will be ending.

What happens to my accounts if I terminate my employment?

You will be able to request reimbursement for healthcare and daycare expenses for services provided prior to your termination.

What if I don't use all of the money I set aside in my account?

Carefully review your estimated expenses before making the decision to participate. Any contributions that are not used during the plan year may not be paid to you in cash or used in a later plan year.

What if I am not covered under my company's health insurance plan?

Good News! You and your family can still participate in the Healthcare or Dependent Care Reimbursement Accounts.

How do I benefit by participating?

Your biggest advantage is the tax savings you receive. For every dollar you set aside in your account reduces your income taxes, and you can be reimbursed for qualified expenses that you are already paying for!

Are there any negatives that I should know about?

Yes, because you are not paying any social security tax on that portion of your income that has been redirected, your social security benefits may be slightly reduced.

UNREIMBURSED MEDICAL EXPENSES

THINGS TO CONSIDER

Determining Your Contributions:

Before making your decision about whether to participate in the Health Care Reimbursement Account and how much to contribute, complete the worksheet below to determine your estimated expenses for the remainder of the year.

Keep in mind that only expenses you incur from the effective date of your account until the end' of the Plan Year are eligible for reimbursement from your accounts. Because of the "use it or lose it" IRS limitations, you will want to consider only those expenses you are reasonably sure of incurring. Amounts not spent in the current Plan Year may not be rolled over into the next Plan Year.

- *How healthy are you and your family?
- *Do you anticipate any large "one-time" out of pocket expenses later this year?
- *Do you anticipate ongoing expenses, such as orthodontics or Monthly prescription drug copays.
- *Do you anticipate any expenses not covered by your health plan?

Estimated "Out of Pocket" Expenses Per Family

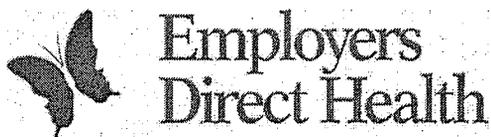
Deductibles and Coinsurance	\$ _____
Doctor/Clinic Visit Co-payments	\$ _____
Prescriptions Co-payments	\$ _____
Diabetic Supplies	\$ _____
Surgical Expenses	\$ _____
Other Hospital Expenses	\$ _____
Psychiatric Care	\$ _____
Dental Care	\$ _____
Vision Care	\$ _____
Vision Correction Surgery	\$ _____
Hearing Care	\$ _____
Other Expenses	\$ _____

ANNUAL TOTAL \$ _____
(\$ _____ Allowable Max)

Divide the total estimated expenses above by ___ pay periods for the Plan Year after your account becomes effective. All of these expenses should be incurred after your enrollment in the Plan (May 1st)

\$ _____ per pay period

To enroll, please complete the Flex Election Form including your annual and per pay period amounts listed above.



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Healthcare expenses that *do* qualify for reimbursement under your FSA Account.

Only expenses not reimbursed by insurance can be claimed.

- Acupuncture (excluding remedies and treatments prescribed by acupuncturist)
- Alcoholism treatment
- Ambulance
- Artificial limbs/teeth
- Chiropractors
- Christian Science practitioner's fees
- Contact lenses and solutions
- Co-payments
- Costs for physical or mental illness confinement
- Crutches
- Deductibles
- Dental fees
- Dentures
- Diagnostic fees
- Dietary supplements with doctor's letter of medical necessity
- ||| Drug and medical supplies (i.e. syringes, needles, etc.)
- Eyeglasses prescribed by your doctor
- Eye examination fees
- Eye surgery (cataracts, LASIK, etc.)
- ||| Hearing devices and batteries
- Hospital bills
- Insulin
- Laboratory fees
- ||| Laser eye surgery
- ||| Obstetrical expenses
- Oral surgery
- Orthodontic fees
- Orthopedic devices
- ||| Over-the-counter drugs that are medically necessary – Please see attached separate list
- Oxygen
- Physician fees
- Prescribed medicines
- ||| Psychiatric care
- Psychologist's fees
- Routine physicals and other non-diagnostic services or treatments
- Smoking-cessation programs
- ||| Smoking-cessation over-the-counter drugs
- ||| Surgical fees
- Weight-loss programs with doctor's letter of medical necessity
- Weight-loss over-the-counter drugs with doctor's letter of medical necessity
- Wheelchair
- ||| Vitamins with doctor's letter of medical necessity
- X-rays



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Healthcare expenses that *do not* qualify for reimbursement under your FSA Account.

- Cosmetic surgery and procedures
- Dental bleaching
- Marriage and family counseling
- Weight loss programs for general health or appearance
- Premiums you or your spouse pay for insurance coverage (Payroll-deducted premiums sponsored by your employer are eligible under the Premium Only Plan)

Dependent Care expenses that *do* qualify for reimbursement under your FSA Account.

- Nanny expenses, for services provided inside your home, are eligible to the extent they are attributable to dependent care expenses and expenses of incidental household services.
- Dependent care expenses incurred for services outside your home, providing they are incurred for the care of a qualifying dependent that regularly spends at least 8 hours per day in your home.
- Registration fees to a daycare facility are eligible as long as the fees are allocable to actual care and not described as materials or other fees.
- Nursery school expenses are eligible, even if the school also furnishes lunch and educational services.
- Food and incidental expenses (diapers, activities, etc.) may be eligible if part of dependent care charge.
- Expenses paid to a relative (e.g. child, parent, or grandparent of participant) are eligible. However, the relative cannot be under age 19 or a tax dependent of the participant.
- FICA and FUTA payroll taxes of the daycare provider are eligible.
- Dependent care expenses incurred to enable the employee to find work are eligible.
- The reimbursement may not exceed the smaller of the following limits:
 - The maximum allowed under the plan.
 - \$5,000 (if you are filing a joint tax return) and \$2,500 if separate returns are filed.
 - Your taxable compensation (after all compensation reduction elections).
 - If you are married, your spouse's actual or deemed earned income

Dependent Care expenses that *do not* qualify for reimbursement under your FSA Account.

- Kindergarten fees are almost always an education expense and should never be reimbursed under a dependent care plan.
- Elementary school expenses for a child in first grade or higher are not eligible.
- Food, transportation, and incidental expenses (diapers, activities, etc.) are not eligible if charged separately from dependent care expenses.
- Expenses paid to a housekeeper, maid, cook, etc. are not eligible, except where incidental to child or dependent adult care.
- Mass transit and parking.

Accepted Over-The-Counter Items*

Antiseptics

Antiseptic wash or ointment for cuts or scrapes
Benzocaine swabs
Boric acid powder
First aid wipes
Hydrogen peroxide
Iodine tincture
Rubbing alcohol
Sublimed sulfur powder

Asthma Medications

Bronchodilator/Expectorant tablets
Bronchial asthma inhalers

Cold, Flu, and Allergy Medications

Allergy medications
Cold relief syrup
Cold relief tablets
Cough drops
Cough syrup
Flu relief tablets or liquid
Medicated chest rub
Nasal decongestant inhaler
Nasal decongestant spray or drops
Nasal strips to improve congestion
Sinus & allergy homeopathic nasal spray
Sinus medications
Vapor patch cough suppressant

Diabetes

Diabetic lancets
Diabetic supplies
Diabetic test strips
Glucose meters

Ear/Eye Care

Airplane ear protection
Ear drops for swimmers
Ear water-drying aid
Ear wax removal drops
Homeopathic earache tablets
Contact lens solutions

Health Aids

Antifungal treatments
Denture adhesives
Diuretics and water pills
Hemorrhoid relief
Incontinence supplies
Lice control
Medicated bandages
Motion sickness tablets
Respiratory stimulant ammonia
Sleeping aids

Pain Relief

Arthritis pain reliever
Bunion and blister treatments
Itch relief
Orajel
Pain relievers, aspirin and non-aspirin
Throat pain medications

Personal Test Kits

Cholesterol tests
Colorectal cancer screening tests
Home drug tests
Ovulation indicators
Pregnancy tests

Skin Care

Acne medications
Anti-itch lotion
Bunion and blister treatments
Cold sore and fever blister medications
Corn and callus removal medications
Diaper rash ointment
Eczema cream
Medicated bath products
Wart removal medications

Stomach Care

Acid reducers
Antacid gum
Antacid liquid
Antacid tablets
Anti-diarrhea medications
Gas prevention food enzyme dietary supplement
Gas relief drops for infants and children
Ipecac syrup
Laxatives
Pinworm treatment
Prilosec
Upset stomach medications

Not Acceptable*

Aromatherapy
Baby bottles and cups
Baby oil
Baby wipes
Breast enhancement system
Cosmetics
Cotton swabs
Dental floss
Deodorants
Facial care
Feminine care
Fragrances
Hair regrowth
Low "carb" foods
Low calorie foods
Oral care
Petroleum jelly
Shampoo and conditioner
Skin care
Spa salts
Sun tanning products
Tooth brushes

Dual use - requires doctor letter*

Adhesive or elastic bandages
Blood pressure meter
Cold or hot compresses
Eye drops
Foot spa
Gauze and tape
Gloves and masks
Herbs
Leg or arm braces
Massagers
Minerals
Multivitamins
Saline nose drops
Special supplements
Special teeth cleaning system
Thermometers
Vitamins

*Plan restrictions may apply.
Check with plan administrator.
