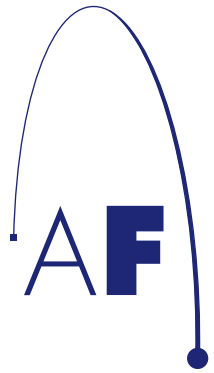


by Jim Dowrick

# AMERIFLEX



## DEFINING NEW STANDARDS 1999-2006

### Pursuing Technology That Opens a Wide Horizon

#### A POSTURE OF READINESS

It's unusual to introduce enhancements to employee benefits and simultaneously generate expense reductions and/or increased profit margins for employers. There's typically a direct correlation between value-added benefits and increased costs. While HR departments work to diversify and sweeten benefit packages for the sake of recruiting and retaining quality employees, CFOs work to improve margins in increasingly competitive business environments. Since its founding, AmeriFlex has aggressively monitored new technologies that show potential for balancing both sides of the expense/benefits ledger.

#### A POINT-OF-SERVICE ADVANTAGE TAKES HOLD

In 1999, AmeriFlex introduced the AmeriFlex Convenience Card<sup>sm</sup> MasterCard<sup>®</sup>, creating a clear win-win circumstance for both employer and employee by providing an easier, more convenient method for employees to utilize their Flexible Spending Accounts. This debit card allowed the automatic electronic transfer of pretax dollars from an employee account when paying for qualified expenses. Employees were able to receive immediate reimbursement of their medical and dependent care expenses simply by using their card at the point of service. The normal paper claims process was eliminated, as were worries about forgotten purchases or lost receipts.

#### A CONCEPT OF SIMPLICITY

Use of the AmeriFlex Convenience Card<sup>sm</sup> spread quickly nationwide. It could be used wherever MasterCard<sup>®</sup> is accepted, and all charges were paid electronically. The MasterCard<sup>®</sup> system carved the world into more than 1000 merchant category codes, each code reflected whether the merchant was a restaurant, department store, gas station, pharmacy, doctor's office, etc. The AmeriFlex Convenience Card<sup>sm</sup> recognized applicable healthcare, dependent care, and transit MCC/SIC codes, allowing AmeriFlex to properly adjudicate claims according to IRS guidelines.

#### ENSURING COMPLIANCE—MEETING IRS OBLIGATIONS

In May 2003, the IRS released guidelines clarifying the rules for FSA and HRA claims substantiation when debit cards are used. IRS Revenue Ruling 2003-43 upheld the existing substantiation requirements, including employee responsibility and electronic review of claims submission for reimbursement. All current allowable auto-adjudication parameters were built into the system, allowing AmeriFlex to maintain the convenience of the card while staying within IRS guidelines. These rulings empowered plan administrators to use appropriate technology in the administration of benefits programs.

The Treasury Department and the Internal Revenue Service announced in September 2003 that expenses for over-the-counter medications could be reimbursed tax free under Flexible Spending Accounts and Healthcare Reimbursement Accounts. The growing number of prescription drugs that were transitioning to over-the-counter availability prompted this change, and it represented a significant enhancement for the participant. The ruling continues to be a huge benefit for employees, their spouses, and dependents who are regular users of over-the-counter medications.

In May 2005 the Treasury Department and the Internal Revenue Service announced that, effective immediately, employers are permitted to design cafeteria plans that enable participants to be reimbursed for claims incurred up to 2½ months after the close of a plan year. Prior to this notice, reimbursements were permitted only for claims incurred during the plan year. Under the new ruling, an employee who participates in an FSA plan ending December 31 can still receive reimbursement for claims incurred through March 15 if the extended grace period is adopted by the employer. Since the “use it or lose it” fear of many employees was reduced significantly by the expanded claims reimbursement cycle—and access to funds can now be better targeted for purchases that the employee actually needs—there has been a clear increase in both the percentage of employees opting to participate in a Flex Plan and in the level of annual elections, enhancing FICA savings for employees and employers alike.

## **THE CARD CREATES OPPORTUNITIES**

AmeriFlex continues to view the card as a voluntary benefits revolution: It enhances employee benefits, improves recruitment capabilities, increases FSA participation, and reduces expenses by capturing FICA savings. Studies indicate significant increases in FSA participation, especially in dependent care accounts. Prior to the advent of the debit card, less than 2% of an employer’s eligible workforce elected dependent care participation due to cash flow constraints that are more commonly known as “double dipping.” The AmeriFlex Convenience Card<sup>sm</sup> has increased dependent care participation by more than 400%—from less than 2% to well over 8%—resulting in substantial tax savings for employers. For example, if an employer with 200 eligible participants gains an additional 12 participants in the dependent care account, this increase in participation will yield an additional \$4,590 in employer FICA savings (based on a \$5,000 annual employee election).

Adding Flexible Spending Accounts (FSA), Healthcare Reimbursement Accounts (HRA), Health Savings Accounts (HSA), and Commuter Reimbursement Accounts (CRA) in various combinations has made the Debit Card an even more compelling innovation. The key is to work with a Third Party Administrator who can provide plan customization from an integrated platform that includes a single debit card solution and pricing that allows for consolidated reporting and accounting. Selecting debit card technology that is flexible enough to handle a multitude of variations in plan structure is a prerequisite to achieving a seamless compatibility with the electronic payment systems that are critical to these types of plans. Seven years of refining the AmeriFlex debit card system have provided an insight into a more complete utilization of the possibilities inherent in this technology.

For additional information on the AmeriFlex Convenience Card<sup>sm</sup> and to review the complete list of AmeriFlex’s service capabilities, please reference the AmeriFlex website at [www.flex125.com](http://www.flex125.com).

## **PRIORITY SERVICES INCLUDE:**

- AmeriFlex Convenience Card<sup>sm</sup>
  - Flexible Spending Accounts (FSA)
  - Healthcare Reimbursement Accounts (HRA)
  - Health Savings Accounts (HSA)
  - Commuter Reimbursement Accounts (CRA)
- Mongoose<sup>®</sup> COBRA/HIPAA Administration

FOR MORE INFORMATION CONTACT AMERIFLEX

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