

# HR Concepts, LLC

*"Your Third Party Administrator of Choice"*

## **Cafeteria Plan Administration Proposal** (Premium Offset Plan & Flexible Spending Accounts)

### **ABC Company**

January 1, 2009

#### **Presented By:**

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CEO/President  
Human Resource Concepts, LLC



Flex Plans • HSA's • Commuter Plans • HRA's • Dental Plans • COBRA

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## Company Overview

### **Our Mission**

"Our mission is to be dedicated to providing an administration solution that addresses the overwhelming changes in the benefits market today, with a focus on member satisfaction, ease of use, and an advanced technology platform, at the most cost effective price."

### **Peter H. Jennings, Founder**

Human Resource Concepts, LLC

### **Our Background**

HR Concepts, LLC was founded in 2001 with the sole purpose of becoming a company's "Single Source Solution" to Third Party Administration and Benefit Consulting/Design. We have grown to be among the leading TPA'S in New England by offering similar services as our competitors, but with a focus on delivering exceptional customer service, utilizing an enhanced technology platform, and distributing our services through a brokered/association focused channel. HR Concepts has positioned itself competitively by offering service enhancements that other Third Party Administrators don't offer, and by utilizing technology, we have been enabled to deliver our services with a new marketing appeal at a reduced cost of administration. Our exceptional customer service focus and commitment to this space has enabled HR Concepts to stand out as a regional leader in Third Party Administration.

### **Our Approach**

The outsourcing of certain key functions of a company has been a growing trend that employers are utilizing to maintain expenses, stay current with all the new compliance regulations, streamline and become more effective in certain overhead draining expenses, and to allow companies to focus on their core business elements. HR Concepts offers full service third party administration at wholesale pricing. We handle all of a client's benefit administration needs, documents, compliance, and employee education, at a fraction of the cost of our competition. Our services are delivered through insurance brokers and associations which enable us to reduce our cost of marketing and certain business overhead costs. HR Concepts is comprised of multiple layers of services, that when combined, the depth of our capabilities, provides a "Single Source Solution" to manage all of a company's benefit administration needs.

### **Our Commitment**

HR Concepts offers services that consist of Third Party Administration (Flex Plans, HSA's, Commuter Plans, HRA's, Dental Plans, and COBRA), and Benefit Consulting / Design. Though many companies offer these services individually, no one combines the expertise of each and delivers them to the marketplace under one umbrella, "A Single Source Solution". We are committed to taking the needs and uniqueness of each of these services, combined with the talent and experience of our staff, and deliver them to our clients with a focus on exceptional customer service, integrity, honesty, and a fair price. Our firm is an employer's "Single Source Solution" to Benefit Administration.

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## Section 125 Components

### **Premium Offset Plan (POP)**

#### **1. What is a POP?**

A Premium Offset Plan is a provision under the Internal Revenue Code Section 125 that enables employers to allow their employees to have certain premiums that they have to pay out of their paycheck, to be taken out before the employee pays tax. These premiums would be taken out before the Federal tax, FICA tax, and the State tax. The POP also allows the employers to save on the matching FICA that they would have had to contribute on this amount.

#### **2. What Premiums Qualify?**

- Health
- Prescription
- Dental
- Vision
- Disability
- Employee Group Term Life (up to \$50,000)
- Cancer
- Medicare Supplement
- Hospital Indemnity
- Accident

#### **3. Are There Legal Requirements to Having a POP?**

Yes, a company must follow the regulations set forth by the Federal Government in order to establish and maintain a Section 125 POP. These requirements include:

- Legal Documents
- Corporate Resolution
- 5500 Tax Filing
- Summary Plan Descriptions (SPD'S)
- Employee Enrollment
- Discrimination Testing

#### **4. How Much Will The Company Save?**

It is rather simple to estimate how much a company will save by implementing a POP. In most cases, the tax savings for the employer well exceeds the cost to have such a plan.

Calculate The Company's Savings:

1. Add all the employees' total annual insurance premiums they pay: \$ \_\_\_\_\_
2. Multiple by the FICA Savings: X \_\_\_\_\_ 7.65%
3. Total Annual Employer Savings: \$ \_\_\_\_\_

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## Section 125 Components (Continued)

### **Flexible Spending Accounts (FSA)**

#### **1. What are FSA'S?**

An FSA is an account that an employee sets up with HR Concepts (similar to a savings account). It enables them to deduct money out of their payroll on a pretax basis and directly deposit these funds into an account with HR Concepts. These funds can later be withdrawn from this account on a tax free basis to pay for eligible medical, dental, vision, over the counter, prescription, and dependent care expenses for themselves, their spouse, and eligible dependent children. They are a great way to save taxes and reduce your out of pocket expenses!

#### **2. How Do FSA'S Work?**

Before the effective date of your FSA plan year (Decided by the employer), an employee will calculate how much money they think they and their dependents will spend during the plan year on your out of pocket expenses for medical, dental, vision, over the counter, prescription, and dependent care expenses. This annual number is divided by the amount of payrolls during the plan year and this amount will be deducted from the employee's payroll each period and deposited into their FSA. This money comes out before they pay Federal Tax, FICA Tax, and State Tax. After you add up their tax savings with their money in this account, they effectively have increased their take home pay.

They will have the opportunity to change their election each plan year and also if they have a qualifying event; which includes marriage, divorce, death, or birth in their immediate family. If they have a qualifying event, they can increase or decrease your annual election within a 30-day period following the event.

#### **3. What Are Eligible Expenses?**

##### **Eligible Healthcare Expenses include, but are not limited to:**

- Deductibles
- Prescriptions
- Dental Expenses
- Vision Expenses
- Chiropractic Expenses
- Coinsurance Amounts
- Hearing Expenses
- Birth Control
- Mental Health Counseling
- Acupuncture

##### **Eligible Daycare Expenses include, but are not limited to:**

- Daycare Expenses
- Day Camp
- Pre-School
- Baby Sitting (With Restrictions)
- After School Programs

#### **4. Are There Legal Requirements to Having FSA?**

Yes, these requirements are the same requirements that are listed under POP'S.

#### **5. How Much Will The Company Save?**

You can calculate the savings to the company by applying the same principles used for POP'S. Just add-up all the annual elections for these accounts and multiple by the FICA savings (7.65%)

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## Outline Of Services

### **Initial Setup / Installation / Take-Over**

#### **1. Initial Consultation**

HR Concepts works with you to create the right Cafeteria Plan to fit your company's budget and benefit needs. We integrate with your existing benefit programs and implement our procedures, which you customize, to keep your employees satisfied.

#### **2. Suggested Legal Documents**

Whether it is a new plan or take-over, HR Concepts will provide you with suggested plan documents, summary plan description, and corporate resolution.

#### **3. Interface With Existing Broker / Benefit Consultant**

After we analyze your current Health Insurance design, we interface with your existing broker and/or benefit consultant to create a coordinated employee benefits package.

### **Employee Communications**

#### **1. Enrollment Forms / Materials**

HR Concepts will provide you with enrollment kits that each employee received during the enrollment process.

#### **2. Enrollment Meetings**

Upon the initial setup or takeover, HR Concepts will provide enrollment meetings and education sessions to introduce the FSA'S to the employees. After this initial time, HR Concepts will conduct enrollment meetings for employees annually and when there is a significant amount of new hires.

#### **3. Claim Forms**

If employees decide to not use the FSA Debit card, or for expenses not covered by the card, HR Concepts will provide claims forms that can be submitted for reimbursement from the accounts.

### **On-Going Administration Services**

#### **1. Daily Claims Administration**

HR Concepts provides employers with a FSA Debit card for each employee. These cards are considered MasterCard's; however, they can only be used at predefined locations. If an expense can not be put through on the card, then the employee can submit this claim by mailing, faxing, online, or dropping it off to HR Concepts. Upon receipt, the claim will be processed and a check will be dispensed.

#### **2. Online Employee Account Balances**

Employees will have access to checking their balances of their FSA accounts online. They will also be allowed to download claim forms and enrollment material.

#### **3. Online Employer Account Statuses**

Employers will have access to periodic plan activity and employee's account balances via the web or by calling HR Concepts.

#### **4. Discrimination Testing**

We will perform the annual discrimination testing as part of your compliance review. (If you request it)

#### **5. 5500 Filing**

We will provide you with any information your tax advisor requests within 30 days of your request to HRC.

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## **Implementation and Ongoing Administration Schedule**

### **Phase I**

1. Application taken and plan designed
2. Documents, Corporate Resolution, Summary Plan Descriptions completed
3. Set the Enrollment Dates
4. Setup/Installation charges billed (Due within 30 days)

### **Phase II**

1. Enrollment meeting letter goes out with paychecks or posted
2. Enrollment meetings performed
3. Employees complete their enrollment forms and return them to HR
4. HR forwards the completed enrollment forms to HR Concepts
5. HR Concepts enters data from the enrollment forms
6. HR Concepts assists the employer in setting up their payroll and account funding
7. HR Concepts sends out confirmation letter to employees with FSA debit card and claim forms

### **Phase III**

1. First quarter billing for accounts is sent
2. Daily processing of claims commencing
3. The online web access opened up for employees to check balances

### **Phase IV**

1. Ongoing quarterly billing of accounts
2. Daily processing of claims
3. Annual discrimination testing performed (If Requested)
4. 5500 Filing information provided (If Requested)
5. Future employee enrollment meetings conducted
6. Updates and plan amendments completed

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## Fee Schedule

HR Concepts is a full servicing Third Party Administrator. Our philosophy on pricing is to include all of our services for the plan you purchase for one simple fee. We do not have any additional charges other than what is outlined below. Each plan, regardless of the options chosen, will have an installation price, renewal fee, and when applicable, an employee fee for the flexible spending accounts. All of the services outlined with this proposal are included in our pricing model. We appreciate a company’s necessity to gather competitive pricing to compare costs, so if there are any questions or comments on our pricing / services, please don’t hesitate to ask. Thank you for considering HR Concepts, LLC as your Administrator of choice.

### **Cafeteria Plan Option 1**

#### **Premium Offset Plans (POP)**

Installation:	\$295
Renewal:	\$295

### **Cafeteria Plan Option 2**

#### **Premium Offset Plans (POP) Flexible Spending Accounts (FSA)**

Installation:	\$750
Renewal:	\$450

Employee Account Administration Fee: \$5.15/Employee/Month with an FSA Account. There is a minimum billing of \$61.80/month for account administration.

\*If both a Regular and Limited Purpose FSA are needed the installation fee is \$950 and the renewal fee is \$495.