



BeneFlex

BeneFlex, Inc.

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Debit Card Increases Participation

We have just completed our first annual enrollment for BeneFlex Convenience Card clients and the results have surpassed industry averages. Clients that offered the card realized a 60 % increase in participation and a 50 % increase in contributions. As a result of the increase in contributions clients tax savings increased substantially.

In addition to greater participation and tax savings, employees are extremely satisfied with the ease of use. The Card pays vendors directly at the point of service by deducting funds from the employee's FSA or Transit account and

paying the eligible vendor. Participants no longer need to fill out claim forms or wait for reimbursement.

The BeneFlex Convenience Card is a stored value debit card branded by Master Card®. The technology encoded in the card allows the card to work only at eligible vendors. The card is accepted at all Merchants that accept Master Card. It can be used at doctors, dentist, vision care centers, pharmacies, transit and parking providers. When an employee uses the card the system reads the employees available balance and determines if the expense is eligible. If approved, the vendor is paid and the transaction is complete. In

some cases, additional substantiation may be needed and the participant will be asked to fax or, mail a receipt of the transaction for verification.

If you would like additional information about the BeneFlex Convenience Card please contact your Plan Administrator.



TOP 10 Reasons to use the card

- 10 Increase participation
- 9 Increase contributions
- 8 Employees don't have to wait for reimbursement
- 7 Eliminates paperwork
- 6 Increase's satisfaction in the plan
- 5 Employee's and Employer's save more money
- 4 Your employees will thank you
- 3 Its' easy to use
- 2 It's blue
- 1 It's cool

It Pays To Use Direct Deposit

Last year over 500 reimbursement checks were reported lost and on several occasions checks were fraudulently cashed. When a reimbursement check is reported lost our procedure is to issue an immediate stop payment and then, reissue the check. The bank fee for a Stop Payment is \$25. Last year our clients incurred well over \$12,500 in Stop Payment Fees. When a check is fraudulently cashed

the bank will perform an investigation that can take up to 90 days. In some cases, the Participant may be waiting in excess of 120 days before they receive reimbursement. The better way is Direct Deposit. When a participant signs up for Direct Deposit their reimbursement check is deposited into the account of their choice 24 hours after their claim has been processed. If a participant provides us with their email ad-

dress they are immediately notified of their reimbursement. Direct Deposit can eliminate all of the risks associated with mailing checks and it ends employees going to the bank on company time to cash their check. If you are not offering Direct Deposit you may want to consider it. You can add it to your plan at any time. Please contact your Administrator for additional information.

New Plan Documents being issued for 2004

All plan documents must be revised no later than April 2004. Plan revision will include changes mandated by HIPPA, Over The Counter Drugs, EDI standards and Changes in Reimbursable Expenses.



The IRS has released [Publication 502](#) which participants may use to determine what medical expenses are reimbursable. Many of the changes to this year's version simply incorporate recent IRS guidance. Some significant changes in Publication 502 include:

Nutritional Supplements (revised item). The costs of nutritional supplements, vitamins, herbal supplements, and other "natural medicines" are deductible only if "they are recommended by a medical practitioner as treatment for a specific medical condition diagnosed by a physician." (Comment, Pub. 502 stated that nutritional supplements were not deductible unless they could be obtained only by a physician's prescription.)

Medicines (revised item). The 2003 version of Pub. 502 clarifies that although only prescribed medicines are deductible, employer-sponsored health plans may reimburse both prescription and non-prescription medicines.

Weight-Loss Program (revised item). Although dues for membership in a gym, health club, or spa are not deductible, separate fees charged at such places for weight-loss activities can be allowable. (Comment IRS officials have informally commented that health club dues incurred primarily for medical care can be reimbursed under a health FSA if certain substantiation requirements are met.)

Special Education (revised item). In order for the costs of attending a school that furnishes special education to help a child overcome learning disabilities to qualify as medical care, "a doctor must recommend that the child attend the school," among other requirements.

IRS Officials Comment on OTC Drugs and Dual-Purpose Items

The IRS's top cafeteria plan and medical expense experts – Harry Beker, Barbara Pie, and John Sapienza – addressed whether certain expenses would be medical care at an ECFC Teleconference on October 22, 2003. Below, we highlight a few informal, nonbonding comments made by these IRS officials.

Dual-Purpose Items. Plan administrators must be satisfied that items which might have both a medical purpose and a personal, cosmetic or general health purpose (dual-purpose items) are primarily for medical care. Consequently, adequate substantiation generally requires a medical practitioner's diagnosis of a medical condition. Ideally, the medical practitioner would also specify that the item is recommended to treat the diagnosed disease, but in some cases, a plan administrator might be able to rely on that information is general knowledge or appears in a professional publication).

Medical Practitioner. Using anyone other than a physician to substantiate a diagnosis raises some concerns. But if a plan administrator is confident that a medical practitioner has the "professional competence" to diagnose and treat the illness, then that would be acceptable.

Dietary Supplements. Dietary supplements can be reimbursable if they treat a specific medical condition. Because these supplements are a dual-purpose item, however, the stricter standard of substantiation would apply as noted above (a medical practitioner's diagnosis and recommendation).

Receipts for OTC Drugs. Receipts for OTC drugs should contain the name of the item, the date, and the amount of the purchase (but need not contain the name of the person incurring the expense). If a receipt does not include the name of the drug, administrators should require additional third-party substantiation (e.g., a box top that includes the name and a price tag matching the price on the receipt).

Health Club Dues. Under the IRS's revised interpretation of what constitutes medical care for health FSAs, health club dues incurred primarily for medical care can be reimbursed even though such expense are still not deductible. Adequate substantiation would include a medical practitioner's recommendation that the individual join a health club in order to treat a disease, such as obesity. Plan administrators must also ensure that the expense would not have been incurred "but for" the disease (e.g., if the participant belonged to the health club before being diagnosed, then the dues would not be reimbursable). (Comment: Once an individual no longer is in need of treatment, such health club dues would cease being reimbursable.)