

WHAT IS A CAFETERIA PLAN?

A Cafeteria Plan is a benefit plan maintained by an Employer for Employees that meets the regulations of section 125 of the Internal Revenue Code. It provides participants an opportunity to receive certain benefits on a pre-tax basis. Employers will save 7.65% of every dollar

Employees set aside per plan year, because they will not have to pay FICA or FUTA taxes on the dollars run through the plan. Employees will save between 25-40%, because they will not have to pay State, Federal or Social Security taxes on the dollars they set aside through their plan.

CLAIMS PROCESSING

- Participants can send in a claim form along with supporting verification (detailed receipt, Explanation of Benefits from insurance provider or bill from health care provider) of qualified Health or DCAP expense purchases either by e-mail, fax or mail.
- Advantage Administrators processes claims daily. If a claim is received by noon Monday – Friday, the reimbursement will be issued the next business day.

REIMBURSEMENT OPTIONS

- Participants in both the Health FSA and DCAP benefit plans can choose to have their claim reimbursements made by either check or direct deposit.
- Employers have the option of offering Flex debit cards to participating Employees. In most cases, the debit card eliminates the need for out-of-pocket dollars by the Employee at the point of purchase.

RUN-OUT PERIOD & GRACE PERIOD

- All participants of the Cafeteria Plan will be allowed a three-month Run Out Period. This means that participants will have three months after the end of the plan year to submit claims for eligible expenses incurred during the plan year.
- Employers have the option of offering a grace period up to 2 ½ months after the end of the plan year. With a grace period, participants have extra time to spend unused dollars set aside from the previous plan year.

IRS REQUIREMENTS

- The IRS requires that Cafeteria Plan participants only use elections for services or purchases made during the plan year and grace period (if offered). All unspent dollars at the end of the plan year will be forfeited back to the Employer.
- Cafeteria plan participants are required to keep a copy of their completed claim forms, as well as verification of all eligible purchase made with their elections (i.e. receipts, Explanation of Benefits, bills from health care providers.)

Applicable Benefits for Cafeteria Plan

- Employer sponsored health vision and dental premiums.
- Health flexible spending accounts (FSA), allows Employees to set aside dollars for qualified out-of-pocket health care expenses.
- Dependant Care Assistance Program (DCAP), allows Employees to set aside dollars for child or adult day care.

Employer Savings

The chart below demonstrates the annual average savings for an organization with 125 eligible Employees. 100 Employees set aside an average of \$100/month for insurance premiums, 33 Employees set aside an average of \$150/month for health FSA, and 10 Employees set aside an average of \$333/month for DCAP.

The Advantage for Employers

- Personalized customer service
- Accurate and fast claims adjudication
- Experienced in-house compliance and legal staff to assist with COBRA, HIPAA and ERISA requirements
- Interactive website with on-line access to update Employee data, change elections and generate Employer reports
- IRS approved individualized documents and forms
- Compliance testing and Form 5500 filed (for organizations with over 100 participants)
- Option to offer debit cards to participating Employees

	Dollar Amount	Overall Employer Tax Savings (at 7.65%)	Overall Employee Tax Savings (at 35% Ave.)
Insurance Premiums.....	\$120,000	\$9,180	\$42,000
Health FSA Contributions.....	\$59,400	\$4,544.10	\$20,790
DCAP Contributions (w/o tax credit adjustment)	\$39,960	\$3,056.94	\$13,986
Total.....	\$219,360	\$16,781.04	\$76,776

Employee Savings

The chart below demonstrates the average annual savings of an Employee who sets aside \$100/month for insurance premiums, \$150/month in health flex contributions and \$333/month in DCAP contributions at each of the tax savings intervals.

The Advantage for Employees

- Daily claims reimbursement
- Choice of direct deposit or check reimbursements
- Option of using the Flex Debit Card to reduce the need of out-of-pocket funds for purchases when offered by Employer
- Online access to personal account.
- Personalized customer service through our Customer Care Department via our Flex Hotline, e-mail and fax

	Dollar Amount/YR	25%	36%	40%
Insurance Premiums.....	\$1,200	\$300	\$432	\$480
Health FSA.....	\$1,800	\$450	\$648	\$720
DCAP (w/o tax credit adjustment)	\$3,996	\$999	\$1,438.56	\$1,598.40
Total.....	\$6,996	\$1,749	\$2,518.56	\$2,798.40