

VILLAGE OF LOMBARD  
REQUEST FOR BOARD OF TRUSTEES ACTION

Resolution or Ordinance (Blue) *Waiver of First requested* \_\_\_  
Recommendations of Boards, Commissions & Committees (Green)  
X Other Business (Pink)

TO: PRESIDENT AND BOARD OF TRUSTEES  
FROM: David A. Hulseberg, Village Manager *dah*  
DATE: March 14, 2011 (B of T) Date: March 23, 2012  
TITLE: A motion to extend the Village of Lombard Flexible Benefit Plan Agreement, Summary Plan Description and Plan Documents for Health Care and Dependent Care Spending Accounts is requested.

SUBMITTED BY: Kathleen Dunne, Human Resource Administrator *KD*

BACKGROUND/POLICY IMPLICATIONS:

Please find attached a renewal application with Discovery Benefits. A motion to extend this contract is requested. Upon approval, the contract will be effective from June 1, 2011 through May 31, 2014. The fee per participant decreased from \$5.25 to \$4.90.

See attachments.

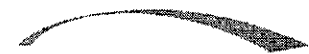
FISCAL IMPACT/FUNDING SOURCE: Funded through employee contributions.

Village Attorney \_\_\_\_\_ Date \_\_\_\_\_  
Finance Director \_\_\_\_\_ Date \_\_\_\_\_  
Village Manager *David A. Hulseberg* \_\_\_\_\_ Date 3/15/11



simplify.™

**Flexible Spending Account  
Administrative Services Proposal for  
Village of Lombard**



**Discovery Benefits**

3216 13th Avenue S • Fargo, ND 58103  
866.451.3399 • [DiscoveryBenefits.com](http://DiscoveryBenefits.com)

## Our History

Discovery Benefits has a long history in employee benefit administrative services and is the seventh largest Third Party Administrator in the country. Discovery began by offering flexible benefits administration in 1987. In 1994, Discovery implemented COBRA administration as part of its product offering. Transportation Benefit Plans were added in 2003 and Health Reimbursement Arrangements and Health Savings Accounts were added in 2004.

Discovery Benefits' philosophy is to provide responsive and flexible administrative services creating value for our clients and their employees. We are a consumer-focused organization blending people and technology to provide high-quality customer service and administration.

## Flexible Benefits (Premium Only and FSA)

Discovery provides administrative services to over 4,100 benefits clients nationwide. Our customer service, experience and expertise make us a perfect choice for FSA administration. Employers save 7.65% on every dollar deducted pre-tax through a cafeteria plan, making FSAs a benefit that pays for itself. When taking into account pre-tax insurance premiums and flexible spending account elections, this can mean sizeable savings for any employer.

In an effort to better serve you in 2011, Discovery has expanded its administrative services:

- Extended service hours (7:00 a.m. to 7:00 p.m. CST Monday through Friday)
- Improved Spanish enrollment materials
- iPhone and Android applications for account inquiry
- Free additional debit cards
- Enhanced online participant portal:
  - Receipt upload
  - HSA "pay the provider" option
  - Online direct deposit enrollment/changes
  - Additional debit cards – free of charge

### Check out our new Discovery Benefits website!



## Our Core Values

### Leadership

We value leadership shown through personal contribution and team collaboration. We embrace change.

### Open Communication

We are transparent with our customers and ourselves.

### Continuous Learning

We promote continuous learning and the sharing of knowledge. We value ongoing process improvement and innovative thinking.

### Integrity

We do the right thing with integrity, honesty and respect. We are accountable for our actions and measure our results.

### Teamwork

We have fun and succeed to benefit each other. We share victories and accomplishments as well as adversity and challenges.

### Best Places to Work – Business Insurance

*"The companies identified are to be celebrated as an elite group of employers that have created high-quality workplaces that encourage employees to thrive in a work environment they can love. To make the Best Places to Work in Insurance list, each company had to demonstrate a minimum standard of excellence, and the companies honored this year 'are indeed innovators and the ones other companies use as benchmarks,' said Peter B. Burke, president of Best Companies Group." - Business Insurance Press Release, August 2010*

### Innovative Service Provider – CDHC Solutions

*Presented annually by CDHC Solutions, the leading innovative health and benefits magazine, and EmployersWeb.com, the web community and companion online magazine focused on health care, benefits and compensation solutions. Congratulations, and thanks for all that you do for the betterment of the health care, benefits, and compensation industries. Also, for sharing your contribution with the industry and peers. - Doug Field CEO/Publisher and Editor-in-Chief*

### COBRA Provider – Best in Class- Benefitfocus

*"Discovery Benefits wins Best COBRA TPA! They worked to ensure the provisions of the law were followed to the letter and required no additional steps from their customers. Discovery Benefits lives up to their company motto, "Simplify." – we think their work with Benefitfocus – is simply the best." - Benefitfocus, July 2010*



## Flexible Benefit Highlights

- Administration for both unlimited and limited FSAs
- Debit card included for all FSA participants
- Cards for spouse/dependents at no additional charge
- Free direct deposit
- Daily processing of claim submissions
- Statements provided with each reimbursement check, emailed quarterly and mailed annually
- Emailed notification when claim submitted and paid
- Two business day claim processing turnaround
- Employee and Employer Web Portal
- Enrollment materials
- Web enrollment
- Employee group meetings
- Automatic claim rollover
- Two funding options
- Interactive Voice Response system available 24/7/365
- Toll-free customer service 7:00 a.m. to 7:00 p.m. CST Monday through Friday
- Discrimination testing
- Plan Document and Summary Plan Description and updates as required
- Automated employer reporting provided daily, weekly or monthly
- Electronic transfer of employee demographic and contribution information
- Administration of 2 ½ month grace period extension
- Spanish language forms and web page
- Archive records for seven years

## Plan Documents and SPDs

Discovery Benefits provides a prototype plan document and SPD for the employer's plan. A PDF copy of the plan document and SPD are emailed to the employer. Employers are responsible to distribute the SPD to employees in accordance with DOL regulations. Plan document and SPD amendments are provided at plan renewal if there are plan design or regulation changes requiring a new document.

If the employer elects to add customized language, it is the employer's responsibility to provide the language and to ensure the document remains compliant with the regulations. Discovery cannot provide legal advice or provide customized language for plan documents or SPDs. An additional fee will apply if the employer requests customized language modifications to the plan document and SPD language.

## Employee Education and Enrollment

Enrollment materials include a Flex Employee Guide that explains the plan in simple to understand language. The Guide includes lists of eligible and ineligible items, worksheets to help the employee determine their medical and dependent care elections, information about how to contact Discovery, how to file a claim online or where to mail or fax a claim, how to contact customer service, etc.

All materials are available in an electronic format available on Discovery's website. Employers may download the materials to post on their intranet or open enrollment portal. Limited quantities of printed materials are available upon request. The quantity provided is determined by the number of FSA participants plus a percentage surplus. Discovery reserves the right to limit the quantity of printed guides provided.



Discovery is also available to conduct enrollment meetings in person or via WebEx to educate employees or as a “train the trainer” session for HR staff. Additional fees may apply for meetings conducted in person.

### Secure Web Access

Our HIPAA secure, state-of-the-art web portal provides employers and participants with 24/7 account access:

- **Employer Web Portal**
  - Access to reports showing account activity by participant and plan type
  - Submit Service Requests to the Account Management team (such as employee termination, new hire elections, etc.)
  - Upload files
  - Access administrative forms
  
- **Employee Web Portal**
  - Submit claims and upload receipts
  - View account balances, claims status, claim and payment history
  - View and update their profile and add dependents
  - Debit card transactions
  - Update banking information
  - Access administrative forms

### iPhone, iPad and Android Application

This new feature provides participants the ability to view their account balance, account details and contact Participant Services from their mobile device.

### Funding Options

Discovery offers two funding methods:

- 1) **Claim based funding:** There are two ACH debits from the client’s account based on that day’s eligible claim reimbursements. The debits are: 1) lump sum amount to cover manual claims, including check and direct deposit and 2) lump sum amount to cover debit card transactions. Two separate e-mails are sent on a daily basis to the employer showing the amounts to be debited from the employer’s account. One e-mail will come from our debit card provider indicating the amount that will be withdrawn from your company’s bank account for debit card transactions settled that day. The second e-mail, from Discovery Benefits, will direct the employer to the online portal where they can view the report detailing the amount withdrawn for checks and direct deposits issued to their participants.

During the last week each month an automatic ACH debit is made from the employer’s account for the cost of replacement cards requested by participants. This amount is deducted from the employee’s available FSA balance. An email is sent to the employer prior to the withdrawal listing the participants who ordered replacement cards and the dollar amount being deducted.

- 2) **Deduction based funding:** Each pay period the employer sends employee contributions via ACH to Discovery. In addition to sending contributions, a reserve of approximately two to three months contribution equivalent is also held in Discovery’s account to ensure adequate funds are available to pay claims. If pending claims exceed funds available, Discovery will notify the employer and request additional funds. Reimbursement is held until additional funds are received.



Reimbursement is made from Discovery's account daily. Employers receive a monthly report showing activity by employee and can view monthly activity through the reports available on the Employer Web Portal.

### **Account Reconciliation**

Participant deductions are tracked each payroll cycle using one of the two following methods:

- Electronic Payroll file (preferred method) – The client transmits an employee demographic and enrollment file along with a payroll deduction file to Discovery each payroll cycle to update amounts within the Discovery system. The files include new hire elections, salary deductions, address changes and terminations. Discovery uploads the information into its system and reconciles to the file. File layouts are provided during implementation.
- Automatically posted – Amounts are updated within the flex system automatically following the date scheduled for each payroll run. A report is emailed to the employer who reconciles the report to its payroll records.

### **Benefits Debit Card**

The primary benefits of the debit card are convenience and cash flow. Participants can pay providers at the time of service directly from their FSA. The card may also be used at dependent care providers who accept VISA.

All FSA participants automatically receive one debit card. Additional cards for spouses or dependents at least 18 years of age are available at no additional charge. Lost or stolen debit cards can be replaced for a small cost to the participant.

IRS regulations state the debit card may only be used at health-care related merchants or where the IRS approved Inventory Information Approval System (IIAS) is in place. IIAS approves eligible FSA items at the point of purchase. IIAS will deny ineligible FSA expenses, which will need to be paid using another form of payment. No additional substantiation is required for transactions that are approved at the point of purchase using IIAS.

When IIAS is not available at the health care merchant, Discovery auto adjudicates debit card transactions in the following manner:

1. Plan co-payments are entered into Discovery's system so that card transactions matching the co-payments and providers are automatically adjudicated. The system is also set up to recognize multiple co-pay amounts (i.e. an employee can purchase several prescriptions and the participant will not be asked to send in documentation).
2. If advised by the participant an expense is recurring for previously approved transactions, any transaction matching both the provider and dollar amount exactly will be approved without requiring additional substantiation.

When insurance must be processed to determine the participant's responsibility, the participant waits to receive their final statement and then writes their debit card number on the provider statement. Follow-up documentation may still be required to substantiate some of the card transactions.

When expense substantiation is needed to verify an FSA expense, a series of three letters or emails are sent to the participant over a 57 day period. The debit card is deactivated after 72 days if no substantiation is received. The employee will be required to pay back the plan or submit an eligible manual claim to offset the ineligible amount.





### **Automatic Claim Rollover**

Discovery Benefits accepts automatic claim rollover from health claim administrators at no additional charge. During the implementation process, Discovery receives a copy of the carrier file layout for mapping purposes. A test file is sent to Discovery from the carrier prior to the plan effective date. Discovery is open to working directly with the carrier to set up the file transfer processes. The process can take several months to complete so it is recommended the process begin as soon as possible. As a reminder, the debit card and auto claim rollover cannot be used in conjunction with one another to file a claim as it will result in duplicate claim reimbursement.

### **Reimbursements**

FSA claims are processed (adjudicated and keyed) within two business days. Reimbursement is made the following day. Faxing claims to Discovery is the most efficient method for processing as these are automatically imported into the imaging and workflow system.

Reimbursement is processed daily. Direct deposit is sent to the participant's account based on the participant's choice or a check mailed to the participant's home if banking information is not provided. Paper checks are subject to a \$25 minimum reimbursement requirement.

- Day 1.** Discovery receives claim via fax, online, email, or mail Monday through Friday. Reimbursement requests are reviewed and adjudicated.
- Day 2.** Discovery enters claim information into the system.
- Day 3.** Discovery prints and mails checks to the participant's home or sends direct deposit to the participant's account for reimbursement.

### **Positive Pay - Stale Checks**

Discovery uses a positive pay system to ensure only valid reimbursement checks are processed. A file is sent to Discovery's bank on a daily basis. Only checks that match the file are processed. Checks remain on the positive pay file for 180 days. An exceptions list is sent to Discovery daily showing checks presented for payment that do not match the file.

Participants with checks that remain outstanding after 180 days will be assessed a \$25 dollar fee or the amount of the check, whichever is less. Discovery will waive the fee if the participant sets up direct deposit.

### **Claim Adjudication**

Discovery reviews 100% of FSA claims submitted.

### **Manual Claims (fax, mail, email, online)**

The IRS requires that claims submitted include a third-party statement (receipt, EOB, invoice) that includes the following information:

- Date of service
- Type of service (i.e. co-pay, co-insurance, deductible)
- Name of item purchased
- Prescription drug number (if applicable)
- Dollar amount of item or service
- Name of service provider or merchant
- Day care provider name and signature (if applicable)



When submitting a receipt for a co-payment amount, the co-payment description must be on the receipt. In some cases, a participant will need to ask for a receipt at the point of service. If "co-payment" is not clearly identified, have the provider write "co-payment" on the receipt and have the provider sign the receipt.

For all ineligible claims, a letter is sent to the participant requesting additional information. Once correct information is received, the claim is reprocessed within two business days.

### **Grace Period Extension**

Discovery provides administration for the 2 ½ month grace period extension. During the extension Discovery looks first to the prior year balance and if funds are available, reimburses from the prior year account. If partial funds are available, the claim will be split between the prior and current plan years. If no funds are available, the claim will be reimbursed from the current plan year. Discovery's Benefits Debit Card can be used during the grace period extension. Administration of the debit card transaction works the same way as the manual claim submission.

### **Prior Plan Year Assumptions for Grace Period Extensions**

Discovery has extensive experience assuming administration for prior plan years. Our experience shows that the critical factors affecting implementation relate to the accuracy of the information received from the prior administrator and the file format in which it is received.

It is important that Discovery receive clean, accurate data from the former administrator or employer in an electronic file matching Discovery's file layout. The employer will need to review and sign off on the information prior to Discovery importing the data. A blackout period will apply to both the prior and current plan years that can last from 10 to 30 days from the date determined during implementation. During the blackout period claims will be held until after the blackout period has ended.

### **File Formats**

Files must be in Discovery's layout and .csv format. This ensures: 1) a smooth set up, renewal and ongoing administration; 2) the information contained in the file is accurately and effectively communicated; 3) the file imports are turned around in the 48 hour time frame during the plan year.

If the .csv format is not possible, Discovery can accept an .xls file using templates provided by Discovery. In those cases where files are not in Discovery's format, a fee may be assessed on an annual basis. The turnaround time for importing files not in Discovery's format may be increased to 72 hours or longer, given the complexity of the file manipulation required when it is not in Discovery's format.

Discovery can accept full files or change only enrollment files.

### **Submitting Files**

The preferred and most secure method for submitting electronic files is attaching the file to a Service Request on Employer Web Portal. Files can also be submitted through a Secure FTP site.

### **File Testing Process**

As soon as possible during implementation, a test file is sent to Discovery for ensuring the file meets the software specifications. Discovery tests the file and communicates with the company's IT representative about changes to the file.



## Implementation

A dedicated Implementation Specialist is provided to ensure a smooth transition to Discovery. The Implementation Specialist assigned to your company is dedicated to coordinating and managing the implementation process and remains the primary contact through the first 30 to 60 days of the plan year. Discovery is committed to providing the experienced staff necessary to accomplish quality implementations in a timely manner.

## Eligibility and Updates

Participant demographic and payroll deduction information is provided to Discovery electronically each pay period. The file is uploaded within 48 hours of receipt. Participant elections and changes uploaded electronically can be viewed by the participant online via the employee web portal once the update has occurred. Files are transmitted through the employer web portal service request or via HIPAA secure FTP or PGP site.

## Discrimination Testing

Discovery provides three discrimination tests annually: Section 125 25% Aggregate, Section 129 25% Aggregate and Section 129 55% Average Benefits test. A letter and report is provided to the employer showing discrimination testing results. We do recommend that if your results indicate a failed status that you consult your tax advisor before making any adjustments to participant's election amounts. Once your tax advisor has recommended election changes specifically to the Medical or Dependent Care Spending Account, we'll work with the participant to obtain any overpayment in claim reimbursements.

## COBRA Administration for the Medical FSA

Discovery will administer the FSA for COBRA continuants once notified by the employer or the employer's third party COBRA administrator an individual has elected to continue their medical FSA under COBRA. The employer or the employer's third party COBRA administrator is responsible to send all required COBRA notices, collect the monthly contribution from the qualified beneficiary and forward the contribution to Discovery each month.

## Reports

Due to stringent HIPAA regulations, reports are only available through Discovery's secure web portals (with the exception of mailed participant letters). Based on the frequency below, emails are sent to the employer and participant directing them to the website for the most up-to-date account information.

### Employer Reports

- **Claims Reimbursement Notification:** Transaction based (provided with claims based funding)
- **Payments Report:** Monthly
- **Bank Reconciliation Report:** Monthly
- **Account Balance Report:** Monthly
- **Payroll Deduction Report:** Based on payroll frequency

### Participant Reports

- **Account Statements:** Included with each reimbursement check and emailed quarterly
- **Receipt Reminders:**
  - Online Claims: Sent 7, 14 and 21 days after a claim has been submitted on-line
  - Debit Card Transactions: Sent 7, 27, and 57 days after card transactions
- **Denial and Repayment Requests:** Transaction based
- **Claims Reimbursement Notification:** Transaction based (email only)



<b>FSA Administrative Fees</b>	
<b>Monthly Administrative Fee</b>	\$4.90 per FSA Participant per month
<ul style="list-style-type: none"> <li>Includes Benefits Debit Card</li> <li>Spouse/dependent cards available at no fee</li> </ul>	
<b>Replacement of Lost/Stolen Debit Card</b>	\$10 per card, deducted from FSA balance
<b>Enrollment Meetings</b>	\$350 per day plus travel expense
<b>Enrollment Materials</b>	Included for standard materials, unassembled.
(If requested, assembled kits can be provided at a cost of \$1.25 per kit to assemble without an envelope, \$1.50 per kit to assemble with an envelope.)	
<b>Stop Payment – Reimbursement Checks</b>	\$25 per stop payment, deducted from FSA balance
(Waived if participant enrolls in direct deposit.)	
<b>Postage and Printing</b>	Included for standard mailings and materials
(Additional charges may apply for non-standard and/or expedited requests.)	
<b>Plan Document and SPD</b>	Included
<b>Direct Deposit</b>	Included
<b>Electronic File Transfers</b>	Included
<b>Minimum Annual Fee</b>	\$500
(Applies only if the monthly administrative fee times the number of participants times 12 months is less than this amount.)	
<b>Discovery does not charge implementation, set-up or renewal fees of any kind.</b>	
<b>Fees are guaranteed for three years. Fees are quoted net of commissions.</b>	

