Legistar No.
080188

**VILLAGE OF LOMBARD**
**REQUEST FOR BOARD OF TRUSTEES ACTION**

__X__ Resolution or Ordinance (Blue) *Waiver of First requested* __
_____ Recommendations of Boards, Commissions & Committees (Green)
_____ Other Business (Pink)

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: William T. Lichter, Village Manager

DATE: March 24, 2008 (B of T) Date: April 3, 2008

TITLE: A Resolution authorizing Approval of President & Clerk on an Agreement for Discovery Benefits Section 125 Plans

SUBMITTED BY: Kathleen Dunne, Human Resources Administrator KD

BACKGROUND/POLICY IMPLICATIONS:

Please find attached a benefit program application with Discovery Benefits for Fiscal Year 2008/2009 Section 125 Health Care Reimbursement and Dependent Care Accounts.

See attached memorandum for more information.

FISCAL IMPACT/FUNDING SOURCE:

Village Attorney _____ Date _____
Finance Director _____ Date 3/26/08
Village Manager _____ Date 3/26/08

**DATE:** March 24, 2008

**TO:** William T. Lichter
Village Manager

**FROM:** Kathleen Dunne KD
Human Resources Administrator

**SUBJECT:** Resolution for Discovery Benefits Section 125 Plans

The attached resolution provides for a new contract between the Village of Lombard and Discovery Benefits. We are changing vendors due to several administrative issues with our current vendor Wageworks. This contract provides for Section 125 Health Care Reimbursement and Dependent Care Accounts. There will be a $5.25 fee per participant.

**RESOLUTION**
**R_____05**

**A RESOLUTION AUTHORIZING SIGNATURE OF THE VILLAGE MANAGER AND/OR DESGNEES ON AN AGREEMENT**

**WHEREAS,** the Corporate Authorities of the Village of Lombard have received an agreement for Discovery Benefits; and

**WHEREAS,** the Corporate Authorities deem it to be in the best interest of the Village of Lombard to approve such agreement as attached hereto and marked Exhibit "A".

NOW, THEREFORE, BE IT RESOLVED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF LOMBARD, DU PAGE COUNTY, ILLINOIS as follows:

**SECTION 1:** That the Village Manager and/or his designee(s) be and hereby is authorized to sign on behalf of the Villlage of Lombard said agreement.

Adopted this _____ day of _____, 2008.

Ayes:_____

Nays:_____

Absent:_____

Approved this _____ day of _____, 2008.

_____
**William J. Mueller**
**Village President**

ATTEST:

_____
**Barbara A. Johnson**
**Deputy Village Clerk**

Exhibit A

# Flexible Benefits Administrative Services for Village of Lombard

**Discovery Benefits**

3216 13TH AVE S • FARGO, ND 58103
TOLL-FREE: 866.451.3399 • DISCOVERYBENEFITS.COM

## Our History

Discovery has a long history in employee benefit administrative services and is a national leader with a presence in all 50 states. Discovery has offered flexible benefits administration since 1987. We began offering COBRA administration in 1994. Transportation Fringe Benefit Plans were added in 2003. In 2004, Discovery Benefits implemented Health Reimbursement Arrangements and Health Savings Accounts.

Discovery is majority owned by Noridian Mutual Insurance Company. Noridian Mutual Insurance Company began operations in the 1940s, offering North Dakota's first prepaid hospital and medical health coverage plans. Today, Noridian is a multifaceted corporation providing private health coverage, life insurance, administrative services, third-party administration and many other products and services. Discovery's ownership structure provides the stability, IT and financial resources for managed growth in the employee benefits market.

## Services Offered

### Flexible Benefits (Premium Only and FSA)

Discovery offers both limited and unlimited FSA administration, daily processing, free direct deposit, second to none employee communication materials, interactive enrollment presentation, Benefits Debit Card, Employer and Employee Web Portal, and online enrollment.

### Health Savings Accounts (HSAs)

Discovery's corporate structure, experience, expertise and proven administrative model make it a perfect choice for HSA administration. HSA custodian responsibilities are provided through Healthcare Bank, an affiliate of State Bank & Trust. The investment division of State Bank & Trust allows Discovery to offer mutual funds in addition to interest bearing account.

### Health Reimbursement Arrangements (HRAs)

Discovery offers unlimited, limited and retiree HRA administration. Discovery offers a wide variety of HRA plan design options and a single administrative platform provides coordinated administration of FSA, HSA and HRA plans.

### COBRA Services

Discovery offers turnkey COBRA administration. Available along with COBRA administration are state continuation and FMLA tracking for COBRA continuants. Retiree billing services are also available.

### Transportation Fringe Benefit Plans

Discovery offers transit and parking administration. The transportation administrative model is built around its successful FSA model with the same services provided to participants. Discovery offers integration with and direct access to Wiredcommute through its employee web portal, allowing employees to easily manage their transit and parking pass purchases.

**Objective & Cornerstone**
The objective and cornerstone of Discovery Benefits' philosophy is to provide responsive and flexible administrative services creating value for our clients and their employees. We are a customer-focused organization blending people and technology to provide high-quality customer service and administration. It is our goal to provide leading edge technology and high-touch customer service, while at the same time ensuring compliance with the regulations.

**We make employee benefits administration easy by providing extraordinary customer service, unique product solutions and smarter technologies. Simply put, we work hard to make it easy to do business with us.**

**Discovery's administrative model delivers:**

**Service** – Great customer service is Discovery's number one priority, ensuring our customers reach a live person. Discovery takes a proactive approach to staffing using the metrics collected to ensure appropriate staffing at all times.

**Specialization** - Our focus on each line of business is one of our key strengths. Each line has experienced staff specializing in that line, bringing the best of the best in administrative services.

**High Touch** – Participants, employers and partners call and reach a live person. Participant Services hours are 7:30 a.m. to 7:30 p.m. CST Monday through Friday.

**High Technology** – Discovery invests in technology that allows us to get closer to the customer and provide exceptional customer service.

**Timely, Consistent and Compliant Administration** – Discovery's processes are set to ensure timely, consistent, quality administration within the regulation requirements. Employee education and training is key to our success and is facilitated through Discovery University.

**Flexibility** - We understand that different employers have different needs and our systems have the flexibility to adjust to and administer different plan designs. Our single platform allows for administration of multiple product lines. Employers and participants have the option of viewing account information online, receiving statements and reports via email or talking with our customer service representatives.

**Customer Service**
A dedicated representative is assigned at implementation. The Implementation Specialist remains the primary contact throughout implementation and through the first 30 to 60 days of the plan year. Once implementation is completed, primary contact for day-to-day administration moves to the Employer Services Representative team.

The Employer Services team is focused on and dedicated to meeting the Employer's needs. Separate teams provide service for reimbursement accounts and COBRA. Within each team, members are cross trained and available to answer employer questions when calling in. A toll free number is routed into ACD lines allowing for the employer's call to be answered by a live representative within 30 seconds or less by a knowledgeable individual. The structure eliminates the employer going into voice mail and waiting for a return call. The knowledge base of the team (over 70 years combined) means the employer will receive an answer on the first call.

The Participant Services team is focused on and dedicated to meeting the Participants' needs. Separate teams provide service for reimbursement accounts and COBRA. Within each team, members are cross trained and available to answer participant questions when calling in. All customer service is provided from our home office in Fargo, ND. Participant Services staff is available to answer participant questions from 7:30 a.m. to 7:30 p.m. Central Time, Monday through Friday. Participants call a toll free number and are routed through an ACD system where their call will be answered within 30 seconds or less by a live representative. Participant Services staff has access to imaged claims and other documentation to better assist the participant. Discovery uses the AT&T Language Line services for Spanish speaking participants. Other language interpretation is also available.

Our Operations team process claims, files, reimbursements and deposits and are not on the phone with participants or employers. Employer Services and/or Participant Services staff act as liaison with the Operations team should there be a need to do so.

Schedules are maintained to ensure adequate staffing during peak call periods. Service standards are set to track the number of agents available, the time it takes to answer the calls, number of calls that go to voice mail, wait time in the queue, etc.

| | 2005 | 2006 | 2007 |
|---|---|---|---|
| **Incoming Calls Handled** | 74,274 | 128,219 | 246,040 |
| **Outgoing Calls Handled** | 15,033 | 21,038 | 79,825 |
| **Emails Handled** | 6,685 | 6,254 | 131,325 |
| **Total Contacts** | 95,992 | 155,511 | 457,190 |
| **Speed of Answer** | 0:00:16 | 0:00:15 | 0:00:23 |
| **Talk Time** | 0:03:15 | 0:03:33 | 0:03:37 |
| **Abandon Rate** | 1.00% | 1.10% | 1.50% |
| **Answer Rate** | 99.00% | 98.90% | 99.50% |

**HIPAA Compliance**
Discovery is HIPAA compliant. Discovery works with outside vendors to ensure the appropriate controls and safeguards are in place. Discovery is owned by a bank holding company and follows very stringent controls that are reviewed annually by auditors. All our employees are trained on our Privacy and Security policies on an annual basis. Signs are posted around the office to ensure Privacy and Security are a priority. Steps taken to ensure HIPAA compliance include:

- A document imaging system with access limited to only those who need access in the course of doing their jobs.
- A secure email system that allows for secure transmission of data between Discovery and our clients via email.
- Business Associate Vendor Agreements with all of our vendors that set forth the terms and conditions deemed necessary for our business associates to ensure PHI handling is consistent with HIPAA privacy regulations.
- Routine and surprise audits performed by our internal audit department to ensure compliance.
- HIPAA Authorized Representative form that participants complete each year when they want someone other than themselves to access information about their FSA Account.
- Collect from employers the name of individuals at the employer level authorized to discuss PHI with Discovery.
- Updated our Administrative Services Agreement includes a Business Associate Agreement to assist our clients with the requirements of HIPAA.
- Exclude portions of the employee Social Security number and/or use an employee ID instead.
- Risk analysis that validates and ensures we have controls in place to comply with HIPAA regulations.

# Flexible Benefits Administration

**Flexible Benefit Highlights**

- Administration for both unlimited and limited FSAs
- Fully integrated debit card system
- 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
- Web enrollment
- Automatic claim rollover
- Two funding options
- Plan Document and Summary Plan Description and updates as required
- Signature ready Form 5500 for the medical spending account
- Automated employer reporting provided daily, weekly or monthly
- Electronic transfer of employee demographic and contribution information
- Spanish language forms and web page

| Summary of Flexible Benefits Administrative Services | |
|---|---|
| Plan Design and Set Up | Included |
| Web Enrollment | Included |
| Online Enrollment Presentation/CD | Included |
| Employee group meetings | Additional fee |
| **Record-Keeping** | |
| Debit Card | Included |
| Funding Options: Claims based or Deduction based | Included |
| Maintain and update employee FSA records | Included |
| Automatic email to participant when claims received and reimbursed | Included |
| Adjudicate FSA reimbursement requests | Included |
| Daily processing of reimbursement requests | Included |
| Issue direct deposit to participant savings or checking accounts | Included |
| Issue Spending Account reimbursement checks to participants | Included |
| Postage | Included |
| Administration for 2 ½ month grace period extension, if applicable | Included |
| Contribution and Demographic download from Employer's payroll – Discovery's file format | Included |
| Reconcile flex records to employer's payroll | Included |
| Archive records for 7 years | Included |

| Reporting and Communication – Participant | |
|---|---|
| Employee Administrative Guide | Included |
| Enrollment Materials | Included |
| Statement included with each reimbursement check | Included |
| Communication concerning ineligible claims | Included |
| On-line access to account information 24/7 in real time | Included |
| Quarterly emailed statements to participants | Included |
| Account balance statement sent 60 days prior to end of plan year | Included |
| Toll-free customer service 7:30 a.m. to 7:30 p.m. CST Monday – Friday | Included |
| **Reporting and Communication – Employer** | |
| Employer Web Portal | Included |
| Employer Administrative Guide | Included |
| Daily, weekly and/or monthly reporting on status of FSA balances | Included |
| Consult on interpretation of IRS regulations | Included |
| **Compliance, Reporting and Disclosure** | |
| Plan Document | Included |
| Summary Plan Description | Included |
| Plan Document and Summary Plan Description Updates | Included |
| Annual Filing Form 5500 (ERISA Plans) | Included |
| Section 125 25% Aggregate Discrimination Testing | Included |
| Section 129 55% Average Benefits Testing | Included |
| Section 129 25% Aggregate Discrimination Testing | Included |

**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.

Discovery is available to conduct enrollment meetings in person or via WebEx. An interactive enrollment presentation is available online or on CD the employer can use to educate current employees and new hires during the plan year, or as a "train the trainer" session for HR staff.

All materials are available in printed and electronic format. The electronic formats are available on Discovery's website and can be used by the employer to post on their intranet or open enrollment portal.

**Employee Web Portal**
Employees may submit claims, view account balances, deposits, claims status, claim and payment history, view their profile, add dependents, view their card information, plan information and access administrative forms all on-line and in real time. Employees may email Participant Services from the web site. Web enrollment is available during open enrollment periods.

**Employer Web Portal**
Employers can access reports showing account activity by division, participant and plan type, access forms, plan information and submit Service Requests to Employer Services. Service requests include such items as employee termination, new hire elections, etc.

**Web Demo**
A demo of the employee and employer web portal can be viewed on Discovery's web site: www.discoverybenefits.com. Click on "demo" in the upper right-hand corner of the page. No user ID or password is required.

**Benefits Debit Card**
Discovery offers the Metavante debit card (formerly MBI Benefits). Discovery was one of the first TPAs in the country to offer a debit card in 1999.

Debit cards are offered as an option at the employer level. If the employer decides to offer the card, all participants receive one card. Additional and replacement cards are available at a small cost to the employee.

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 MasterCard.

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. Effective January 1, 2009 pharmacies must have an IIAS in place for the debit card to be used for purchases. 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. Several merchants already offer the IIAS system and many more are adding the system. A list of IIAS merchants can be found on Discovery's web site.

When the approved inventory system 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) A recurring file is run on a daily basis to match new transactions to previously approved transactions. Any transaction matching the provider and dollar amount exactly will be approved without requiring additional substantiation.

3) Discovery can accept electronic files from the Pharmacy Benefit Manager (PBM) file. It is Discovery's experience that the PBM files do not match enough transactions to warrant the additional cost to the employer since PBMs do charge a fee for the file transfers. On a national level, only 7% of transactions match. The fees are passed on to the employer and generally run

$0.10 to $0.15 for each transaction on the file. The PBM file is sent to Metavante where the PBM file is matched to card transactions. Those matching exactly are automatically approved. Setting up a PBM for the file downloads is a 60 to 90 day process and involves discussions and an agreement between Metavante and the PBM.

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 is 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. Employees are encouraged to call Discovery if we are requesting a single piece of information that is missing from the substantiation provided as Discovery will take this information over the phone.

**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 together as it will result in duplicate claim reimbursement.

**Funding Options**
Discovery offers two funding methods: claim-based funding arrangement where funds are debited from the employer's account as needed to pay eligible claims; and deduction-based funding where the employer forwards employee contributions to Discovery.

Claim based funding: Discovery initiates three ACH debits from the client's account based on that day's eligible claim reimbursements. The debits are: 1) lump sum amount to cover direct deposits; 2) lump sum amount to cover reimbursement checks; and 3) lump sum amount to cover debit card transactions. An email is sent on a daily basis to the employer showing the amounts to be debited from the employer's account along with a detailed report showing claim activity.

On the first of each month an automatic ACH debit is made from the employer's account for the cost of additional or replacement cards requested by participants during the previous month. 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 additional or replacement cards and the dollar amount being deducted.

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 daily activity through the reports available on the Employer Web Portal.

**Account Reconciliation**
Participant deduction and/or employer credit amounts are tracked each payroll cycle using one of the two following methods:

1) 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.
2) 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.

**Reimbursements**
Participants send their requests for reimbursement directly to Discovery. Reimbursement is processed daily. Checks are mailed to the participant's home or direct deposit sent to the participant's account based on the participant's choice.

All FSA claims are processed (adjudicated and keyed) within two business days. Reimbursement is made the third day.

Day 1. Discovery receives claim via online, email, fax or mail by 8:00 a.m. CST 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.

**Claim Adjudication**
Discovery reviews 100% of FSA claims submitted through manual and/or electronic means.

Ineligible claims are entered into the administrative software and a letter is sent to the participant requesting additional information, if applicable, within the two day time frame. Once correct information is received, the claim is reprocessed within two business days.

Participants with debit card transactions requiring follow-up substantiation receive a series of emails or letters over a 57 day period requesting the participant send in documentation. If the documentation received is insufficient, an email or letter is sent that asks the participant to call Discovery so that Participant Services can help them with the documentation process. Participant Services will take what information it can over the phone. Information taken over the phone is documented by the Participant Services representative and is scanned.

Participant Services representatives are available to answer participant questions concerning the educational information or communication sent to them about their claim.

**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. The transaction will first be paid from the prior year balance. If partial funds are available, the transaction will be split between the prior year and current year. If no funds are available, the transaction will be paid from the current plan year.

**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 files.

**File Naming Conventions**
The following naming conventions should be used when saving and submitting files:

| | |
|---|---|
| Test Data File Name: | Test_20070131_CompanyName_FlexPayroll.csv |
| Test Data File Name: | Test_20070131_CompanyName_FlexEnroll.csv |
| Test Data File Name: | Test_20070131_CompanyName_FlexDiscrim.csv |
| | |
| Live Data File Name: | 20070131_CompanyName_FlexPayroll.csv |
| Live Data File Name: | 20070131_CompanyName_FlexEnroll.csv |
| Live Data File Name: | 20070131_CompanyName_FlexDiscrim.csv |

**Submitting Files**
Preferred and Most Secure Method: Attaching to Service Request on Employer Web Portal.

Optional Method: FTP site with PGP encryption.

**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.

**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.

**Implementation**
The implementation process is the employer's first experience with Discovery and we understand how critical the implementation process is. Discovery is committed to providing the experienced staff necessary to accomplish quality implementations in a timely manner.

Discovery's implementation team is experienced in both mid-year and plan year implementation. The implementation specialist assigned to your company is dedicated to coordinating and managing the implementation process through the first two payrolls after the new plan year to ensure a smooth transition process.

It is recommended that Discovery assume administration of the plan for both the prior and current plan years if a plan has the grace period in place. This will ensure smooth administration during the grace period, eliminate employee confusion on where to send reimbursement as well as reduce the potential for duplicate claim reimbursement.

When assumption of the grace period extension and prior year run out period is included, a blackout period will apply to both plan years to allow Discovery time to import the information and to ensure that current year dollars are not spent before the prior year funds become available. The blackout period can run anywhere from 10 to 30 days, depending on the type and timing of the electronic file received from the prior administrator. Prior year information must be reviewed and approved for release by the employer prior to Discovery importing the information into its system. Discovery cannot assume responsibility for incorrect information provided by the previous administrator.

**Step 1 Discovery**
Assigned Implementation Specialist emails implementation paperwork to Employer. The initial implementation conference call date and time is set after paperwork has been reviewed by employer/consultant.

**Step 2 Employer, Consultant, Discovery**
Conference call is held to review the implementation paperwork, discuss timelines, banking arrangements, file layouts, open enrollment dates, enrollment process and communication plan. If requested, weekly conference calls are scheduled for general implementation updates and communications.

**Step 3 Employer, Consultant**
Complete implementation paperwork and forward to Discovery for review/set up.

**Step 4 Employer**
Send to Discovery test files for initial enrollment file, enrollment/change file and payroll deduction file.

**Step 5 Discovery, Employer**
Enrollment, enrollment/change and payroll files tested.

**Step 6 Employer**
If Discovery's web enrollment system is used, send to Discovery final Participant file for upload into system.

**Step 7 Discovery**
If Discovery's web enrollment system is used, Discovery uploads Participant file for web enrollment.

**Step 8 Discovery**
If Discovery's web enrollment system is used, send employee Welcome letters and web enrollment instructions to Employer for distribution to eligible employees.

**Step 9 Employer, Consultant, Discovery**
Conduct employee meetings during open enrollment period. On-line enrollment using Employer's online enrollment system or Discovery's web enrollment system.

**Step 10 Employer**
Open enrollment period ends.

**Step 11 Employer, Discovery**
If Employer enrollment system used, send Enrollment/Changes file to Discovery for upload into its system.

**Step 12 Discovery**
If Discovery enrollment system used, Discovery sends web enrollment report to Employer for verification and uploading into Employer's payroll system.

**Step 13 Employer**
If Discovery enrollment system used, Employer uploads election information into its payroll system for the new plan year.

**Step 14 Discovery**
If Employer web enrollment system used, Discovery mails Welcome letters to all participants along with instructions for submitting a claim online.

**Step 15 Discovery**
Discovery orders debit cards for participants. It takes 10-15 business days for participants to receive cards from the date ordered.

**Step 16 Discovery**
Plan document and SPD are emailed to employer and consultant

**Step 17** New Plan Year begins.

**Ongoing Enrollment**
During the plan year, new hires are enrolled using Discovery's paper enrollment forms which are then submitted to the employer's payroll department. The new enrollments are sent to Discovery via electronic file each pay period. Discovery provides a supply of forms to the employer or the forms may be downloaded from Discovery's web site.

**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 online 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 quantitative 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. If a test does not pass, Discovery will work with the employer to determine the necessary solutions to bring the plan back into compliance. This usually involves changing the Key and/or Highly Compensated Employee election amounts to the point where the plan is no longer discriminatory.

**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**
Discovery provides the following reports for the Participants and Employer. Ad hoc reports are available for an additional fee if the standard reports do not meet the employer's reporting requirements. Employer Reports are sent via email automatically on a daily, weekly or monthly basis. Reports are also posted on the employer web portal.

**Employer Reports**

Claims Reimbursement Notification: Transaction based (provided with claims based funding)

Payments Report: Sent Monthly

Reconciliation Report: Sent Monthly

Account Balance Report: Sent Monthly

Payroll Deduction Report: Sent based on Payroll Frequency

**Participant Reports**

Account Statements:
Included with each reimbursement check.
Emailed Quarterly.
Mailed annually.

Receipt Reminders:
Sent 7, 14, 21 and 28 days after a claim has been submitted on-line.
Sent 7, 27, and 57 days after card transactions.

Denial and Repayment Requests: Transaction based

Claims Reimbursement Notification: Transaction based (email only)

# Fee Schedule

**Flexible Benefits Fee Schedule**

| | |
|---|---|
| **Annual Renewal Fee** | Waived |
| **Monthly Administrative Fee**<br><br>**With or without the debit card** | $5.00 per FSA Participant |
| **Additional or Replacement Debit Cards** | $5.00 per additional or replacement card, deducted from employee's FSA balance |
| **Employee Enrollment Meetings** | $350 per day plus expenses |
| **Enrollment Materials** | Included for standard materials, unassembled, $27 per hour to assemble |
| **Electronic Files Not In Discovery's Format** | Ranges between $500 and $1,250 per year per file, depending on file complexity. |
| **Postage** | Included for standard mailings. Charges apply for overnight and expedited requests, postage and handling for non-standard mailings. |
| **Direct Deposit** | Included |
| **Printing** | Included for standard materials<br>At cost to create and produce for special printing requests |
| **Stop Payment – Reimbursement Checks** | $25 per stop payment request, deducted from participant's account. Waived if participant enrolls in Direct Deposit. |
| **Rate Guarantee** | Three Year |
| **Minimum Annual Fee (applies if the monthly administrative fee times the number of participants for a 12 month period is less than this amount)** | $1,000 |

**Fees are quoted net of commissions.**