



SECTION 105 ADMINISTRATION

THE BENEFIT PLAN
THAT **KEEPS DEDUCTIBLES MANAGEABLE!**



Employee
Benefits
Corporation

The EBC HRASM in 60 seconds

The EBC HRA fills in the gaps left by insurance benefits programs. It can almost pay for itself, since the dollars an employer contributes are usually offset by the reduction in premium costs when switching to a higher-deductible health plan.

First Year Program

It takes us 3-5 weeks to implement the EBC HRA once we receive a completed EBC HRA Service Agreement and HIPAA Business Associate Agreement.

There are 7 steps to fully implementing the plan:

Step 1

The client completes the EBC HRA Service Agreement and the HIPAA Business Associate Agreement, then submits them to Employee Benefits Corporation

Step 2

We send to the client a welcome letter, which includes an EBC HRA Answer Book, Summary Plan Descriptions and My Company Plan, and a request for employee data

Step 3

An Employee Benefits Corporation Client Liaison contacts the client to review key HRA points, answer questions and, if chosen, schedule the employee meeting(s)

Step 4

If chosen, employee meetings begin

Step 5

The client returns employee data to Employee Benefits Corporation

Step 6

Employee Benefits Corporation enters the employee data into our system

Step 7

The EBC HRA begins

What is the EBC HRA?

The EBC HRA (Health Reimbursement Arrangement) allows businesses to fund certain qualified expenses for their employees; employer contributions used by employees are 100% deductible and employees pay no taxes on their reimbursements.

How can contributions be deductible and tax-free?

Because the EBC HRA is governed by Section 105 of the Internal Revenue Code, reimbursements are tax-free for employees and tax-deductible for employers.

How does the EBC HRA help employees?

Employees use the EBC HRA to pay for eligible, out-of-pocket health care expenses and pay no taxes on reimbursements.

How does the EBC HRA help employers?

Employers write off 100% of the EBC HRA contribution used by employees, can choose to retain unspent funds at the end of the Plan Year and offer employees additional choice in managing their health care benefits.

What services are included with the EBC HRA?

- Plan design support, set-up and management
- An EBC HRA Answer Book, Plan Document, Summary Plan Descriptions for participants and all necessary forms
- Ongoing administration
- Fast claims turnaround, processing and fulfillment
- Participant reporting
- Toll-free customer service line: 800 346 2126
- 24/7 secure, real-time web site access: www.ebcflex.com
- HR support services
- Compliance services

How long does it take to set up an EBC HRA?

It takes 3-5 weeks after we receive a completed HRA Service Agreement and HIPAA Business Associate Agreement to implement the EBC HRA.

How do we fund the participants' EBC HRA claims?

You do not need to pre-fund an account. Reimbursements may be made from the employer's general account. For convenience, we recommend the employer use our auto-debit payment option.

The EBC HRA offers tax-free reimbursements to employees and manageable, high-deductible health plans for employers.

Acme Widgets has endured years of rising health care and insurance costs. To help lower insurance premiums, Acme is moving to a high-deductible health plan. The new health plan offers a \$2,000 single deductible and a \$6,000 family deductible, which has an individual cap of \$2,000.

To reduce the impact of the higher deductible on its employees, Acme establishes a EBC HRA and chooses a simple, two-tier plan.

The single deductible EBC HRA plan design has the employee pay the first tier, or \$750, of the deductible. Acme then reimburses them for \$1,250 to offset the remaining deductible in the second tier.



The \$6,000 family deductible includes a \$2,000 individual cap, which the family members must meet before the health plan reimburses them. The EBC HRA plan design requires each family member to pay the first \$750 of the \$2,000 deductible. Acme pays the remaining \$1,250.

Does the plan design work in practice as well as theory?

One of Acme's employees, Sally, is a mother and wife who understands the financial responsibilities that stem from her family's vision, dental, prescription drug and co-pay charges.

Luckily, those expenses are eligible under Acme Widgets' EBC HRA.

Sally's family incurs expenses early in the Plan Year. Once she and her husband meet the tier-one, \$750 deductible, any eligible expenses they incur for the remainder of the plan year are reimbursed tax-free; Sally and her family save.

The benefits don't stop there.

Acme Widgets writes off 100% of the EBC HRA funds that Sally's family uses. Acme can choose to keep the unspent EBC HRA funds at the end of the plan year or roll them over into subsequent plan years. With the EBC HRA, Acme Widgets provides its employees more options, helps them better manage health care spending, and saves itself some money.

Offering flexibility in plan design for businesses and consumer choices for employees, clients can rely on the EBC HRA to help them regain control of their health care costs.

Why choose Employee Benefits Corporation?

We strive to exceed customer expectations and, using our vision, our technology and our people, can ensure the success of benefits programs.

Employee Benefits Corporation is employee-owned. As owners, the priority of each of our team members is to contribute to our customers' success. We do this by sharing a wealth of technical expertise, providing exceptional administration services and exercising creative plan design.

Every day, our professional, in-house Client Services Team efficiently answers hundreds of questions from participants who want to use their benefit programs effectively. Working with employers throughout the United States, our Client Liaisons share their knowledge and experience so our clients' plans are managed accurately, compliant with all regulations and of maximum value to all participants.

Our Sales Team is comprised of benefits experts, whose experience makes the difference between difficult-to-manage plans with little benefit and well-designed plans that offer real value to both employers and their participants.

How the EBC HRA Works Section 105 of the Internal Revenue Code

Based on Section 105 of the Internal Revenue Code, the EBC HRA allows companies to fund certain qualified expenses for their employees. Employees use these funds to pay for eligible, out-of-pocket health care expenses. Employees pay no taxes on their reimbursements. The Employer contributions to the plan are also 100% tax deductible. The EBC HRA only reimburses expenses as defined by IRS law and the plan design.

Qualified expenses must meet the requirements of Section 213 of the IRS Code defined as amounts paid for "the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body."










How the EBC HRA Works Higher deductible offsets cost













When companies redesign their insurance plan to reduce the cost of premiums, higher deductibles can result. Fortunately, the EBC HRA can be used to reimburse employees for these increased costs, as well as out-of-pocket expenses and co-pays. The dollars an employer contributes to the EBC HRA are usually offset by the reduction in premium costs. Employee Benefits Corporation simplifies setup and plan design, provides all the required documents and forms and manages the reimbursement of funds.



How the EBC HRA Works Plan designs

Clients with an EBC HRA have a high degree of flexibility in plan design. They can decide the contribution amount, type and payment order of expenses, whether to roll over funds and whether to place a cap on rollover amounts.

Examples of EBC HRA Plan Design Options	Plan Design A	Plan Design B	Plan Design C
	First Dollar Coverage	Employee Pays First	Employer Pays First
	One-Tier Design	Two-Tier Design	Three-Tier Design
<p><i>Deductible:</i> Must be met before the Health Insurance Plan begins to pay for eligible expenses</p>	 <p>EBC HRA reimburses a percent of each expense dollar put toward the deductible</p>	 <p>Employee pays the first \$750 of the \$2000 deductible</p>	 <p>EBC HRA reimburses the first \$500 of the \$2000 deductible</p>
	 <p>Once the deductible is met, eligible expenses are paid by the Health Insurance Plan</p>	 <p>EBC HRA reimburses the remaining \$1250 of the deductible</p>	 <p>Employee pays the next \$1000 of the deductible</p>
	 <p>Once the deductible is met, eligible expenses are paid by the Health Insurance Plan</p>	 <p>Once the deductible is met, eligible expenses are paid by the Health Insurance Plan</p>	 <p>EBC HRA reimburses the remaining \$500 of the \$2000 deductible</p>
<p><i>Health Insurance Plan:</i> Participants' health care expenses are paid by Employers' Health Insurance Plan</p>	<p>Health Plan</p> <p>Once the deductible is met, eligible expenses are paid by the Health Insurance Plan</p> <p>This plan provides some relief from a higher deductible and the onset of expenses</p>	<p>Health Plan</p> <p>Once the deductible is met, eligible expenses are paid by the Health Insurance Plan</p> <p>This plan provides relief from a higher deductible and encourages more prudent use of services</p>	<p>Health Plan</p> <p>Once the deductible is met, eligible expenses are paid by the Health Insurance Plan</p> <p>This plan provides relief from a higher deductible and a smooth transition from a low deductible plan</p>

Examples of EBC HRA Plan Design Options	Single Coverage	Family Coverage	Family Coverage
	Two-Tier Design	Aggregate (no maximum cap) \$6,000 deductible	\$6,000 deductible with \$2,000 Individual Cap
			
<i>Deductible: Must be met before the Health Insurance Plan begins to pay for eligible expenses</i>	 Employee pays the first \$750 of the \$2,000 deductible	 Family pays the first \$2,000 of the \$6,000 deductible	 Each family member (3) pays the first \$750 of the \$2,000 deductible
	 EBC HRA reimburses the remaining \$1,250 of the deductible	 EBC HRA reimburses the remaining \$4,000 of the deductible	 EBC HRA reimburses the remaining \$1,250 of the deductible
<i>Health Insurance Plan: Participants' health care expenses are paid by Employers' Health Insurance Plan</i>	 Once the deductible is met, eligible expenses are paid by the Health Insurance Plan	 Once any combination of family members meets the deductible, eligible expenses are paid by the Health Insurance Plan	 Once each family member meets the deductible, eligible expenses are paid by the Health Insurance Plan
	With Single Coverage, the employee must meet the first \$750 of the \$2,000 deductible before receiving reimbursement from the EBC HRA	With Aggregate Family Coverage, the combined expenses of all family members go toward meeting the deductible	Family Coverage with an Individual Cap requires that each family member (3) individually meet the deductible amount

Rollovers

Businesses have the option of carrying unused EBC HRA funds forward, which offers employees greater control and choice over managing their health care costs. Called "rollovers," these amounts can have fixed yearly limits or extend to the life of the EBC

HRA. These dollars remain with the employer, but can be allocated into a "spend-down" account that gives employees access to the funds after they leave employment or retire.

Post Employment Benefit

Depending on an employer's plan design, the EBC HRA Post Employment Benefit (PEB)

can be offered to employees that terminate employment or who drop health coverage. It allows participants to use all or a portion of their remaining EBC HRA balance to pay for eligible medical expenses not covered by their health insurance when their coverage drops or their employment ends.

The EBC HRA and the IRS

Eligibility requirements limit participation

The IRS prohibits certain business owners and their immediate family members from participating in the HRA.

Owners

The IRS prohibits certain owners and their family members from participating. They are:

2% Shareholders

More than 2% shareholders in a Subchapter S Corporation, their spouses, parents, children and grandchildren, cannot participate.

Partnerships

Partners in partnerships including LLPs and LLCs that operate under partnership rules are prohibited (spouses and dependents are eligible if they are employees).

Sole proprietors

Sole proprietors are prohibited from participation (spouses and dependents are eligible if they are employees).



EBC HRA Reimbursements

Reimbursement and claims

Reimbursements are sent quickly and transactions can be securely reviewed on our web site. Participants must complete an EBC HRA Reimbursement Form and attach documentation to receive reimbursement. Once an expense has been incurred, a claim may be filed. The expense must be incurred in the plan year for which reimbursement is requested. In some cases, claims are automatically sent from the carrier directly to us for processing and reimbursement.

Forms of reimbursement

Check: Employee Benefits Corporation issues checks weekly.

Direct Deposit: Employees must fill out a Direct Deposit Authorization Form, which is included in the Summary Plan Description and available for download from our web site at www.ebcflex.com, to activate direct deposit. We then issue direct deposits weekly.

Runout Period

There is a runout period (usually 90 days) that begins immediately following the end of the Plan Year. During this time, participants may submit reimbursement claims incurred during that Plan Year. If participants anticipate not receiving an EOB or other documentation from their service provider that would force a claim to go beyond the runout period, they should contact Client Services for

For each of the claim amounts, documentation should be attached to the Reimbursement Form. For the most part, submitting the Explanation of Benefits (EOB) from the insurance company will provide the necessary documentation.

further instructions. Reimbursement claims submitted after the runout period ends will not be eligible for payment.

Exclusions

In the event a claim is excluded or denied, a letter, which lists the reason for nonpayment of the claim, will be sent to the participant's home. If applicable, the claim may be resubmitted with the requested information.

EBC HRA Funding

Funding of the Plan and claims processing

In order to pay participants' claims, Employee Benefits Corporation must have access to the funds a client contributes to its employees. We offer clients an auto-debit program, which allows us to debit an account and access funds when claims are submitted and reimbursements are required. We process claims daily and remit payment once per week, provided clients have submitted sufficient funds. We notify clients of the amount of claims processed for the week in the Claims Register, which is available on our web site or sent via fax or mail.

If EBC HRA funds are auto-debited, we initiate the debit every Monday so that claims can be paid on Tuesday. The employer receives a printed notice of the debit on the Thursday prior to the debit.

If the EBC HRA is funded by check, claims will not be paid until we receive the check. This can delay reimbursement of claims. We will notify the employer on a weekly basis of the funds needed to pay reimbursements.

If clients use the Benny™ Benefits Card, we notify you daily of any card or any claims activity. We debit funds from your account the following day and pay all processed claims.

The auto-debit account

The amount debited is equivalent to the dollar amount of claims processed for payment in a designated time frame. Reimbursement payments are made automatically on a specified day. Clients receive a check register statement, which includes all claims processed for the designated time frame.

Auto-debit authorization

Clients must authorize a regularly scheduled payment to be made from their bank account by submitting an Auto-Debit Authorization Form, which is available from Employee Benefits Corporation or for download on our web site at www.ebcflex.com.

How the EBC HRA Works

1. Participant presents insurance carrier card to provider
2. Provider submits expense to insurance carrier
3. Insurance carrier sends participant and provider an Explanation of Benefits (EOB)
4. Participant sends us the EBC HRA Reimbursement Form with EOB attached
- OR
4. When we have an insurance carrier partner, the carrier contacts us with participant insurance charges
5. We review the claim to determine if it is a qualified expense
6. If the employer funds their EBC HRA by check, claims will not be paid until we receive the check; this can delay reimbursement of claims
- OR
6. If EBC HRA funds are auto-debited, we initiate the debit every Monday so that claims can be paid on Tuesday
7. Reimbursement checks are issued to participants based on available funds.

First-year support services

Set-up, publications and the web

The first-year program and ongoing services include the EBC HRA plan design, introducing and promoting the plan to employees, reimbursing eligible expenses and monitoring compliance.

Employee Benefits Corporation specialists work closely with clients to develop a personalized plan design in accordance with Section 105 specifications. Later, when the plan is in place, we provide ongoing support by monitoring and interpreting Section 105 regulations. Our ability to grasp this complex, high-frequency regulatory information is one reason why businesses choose us to administer their HRA. Clients trust that this critical aspect of their plan is in expert hands.

Plan Document

Employee Benefits Corporation drafts and maintains the legal EBC HRA Plan Document. We manage all updates to this document and forward a revised copy to clients when changes occur.

The EBC HRA Answer Book

This publication contains a copy of the Plan Document, Nondiscrimination Testing Worksheet, copies of EBC HRA forms and the information clients need to manage their EBC HRA. Written in a question-and-answer format, it is organized to help clients answer not only employees' questions, but a few of their own.

Standard employee education services

Our standard educational materials give employees the information they need to

understand the plan's benefits and effectively use the plan during the year. The materials can be used alone or supplement a client's own materials.

The EBC HRA Summary Plan Description (SPD)

The EBC HRA SPD has the plan's full details, including eligible expenses, claims procedures and IRS rules that affect how employees can use the plan. Each participant is required by law to receive a Summary Plan Description and we provide one for each eligible employee in the first year.

The EBC HRA My Company Plan

This single-page document explains the employer's EBC HRA plan design. It details the eligible expenses, reimbursement process, rollover options and other important information.

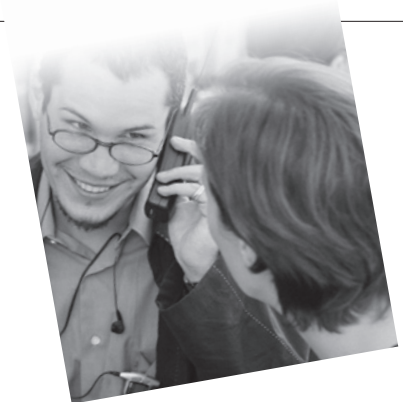
Our web site

Our web site is an excellent source of information for employees. They can check the status of their account, download claim forms and get answers to frequently asked questions. Visit us at www.ebcflex.com.

Customized employee education services (optional)

An EBC HRA expert travels to the client's location and conducts group or individual employee meetings, depending on a client's needs. This option is valuable to clients that have small HR staffs. At these meetings, we explain key plan features and describe the steps for reimbursement. Our representative can also answer other questions employees may have about the EBC HRA.

We offer these customized education services for an additional fee. Please see the fee sheet.



Ongoing administration services

Experience, expertise and the best benefits administration in the business

Employee Benefits Corporation provides a full range of administrative services throughout the Plan Year. Our expertise as plan administrators, combined with the performance features of our custom software, enhances the value of the EBC HRA for employees and clients.

Fast claims and reimbursement processing

Once Employee Benefits Corporation receives a claim, we process it within three business days. Funded reimbursement claims are issued weekly.

Reimbursement forms

Our reimbursement claim form is simple and easy to use. A copy of the form is included in the EBC HRA Answer Book and we send new forms and self-addressed envelopes with every reimbursement check and direct deposit confirmation. Participants and clients can also download the form from our web site at www.ebcflex.com.

Flexible reimbursement fulfillment

Employee Benefits Corporation can mail checks to a participant's home or deposit them directly into the participant's bank account. Direct deposit with mailed confirmation is offered at no additional charge.

Participant reporting

We print the current account balance on each reimbursement check and direct deposit confirmation.

Toll-free information line

Participants can call our professional, in-house Client Services Department toll-free at 800 346 2126, Monday - Friday, 8:00 - 5:00 CST

Interactive web site

Participants and clients can download forms, view EBC HRA information or review the current status of their accounts 24/7 using our web site at www.ebcflex.com.

HR support services

A Client Liaison is available throughout the year to answer questions and help resolve problems. The Client Liaison contacts the client at the start of their plan to review the EBC HRA Answer Book, review the plan features and help with implementation.

Compliance services

Like all benefit plans, the EBC HRA must comply with various federal laws and regulations, including the IRS tax code, Section 105, ERISA, HIPAA and COBRA. Staying up to date on new and evolving regulations and making sure the plan complies with all of them is a full-time job—one that Employee Benefits Corporation

does at no additional charge. This includes monitoring legislative and regulatory developments at the federal and state levels.

Nondiscrimination testing

Every plan must be tested to ensure that it does not unfairly favor highly compensated employees. We provide for clients a simple, easy-to-use worksheet that performs this test. If it identifies any compliance issues, we work with the client to resolve them.

Client reporting

Clients can securely access an Account Activity Report, which outlines their participants' accounts, on our web site 24/7.

5500 Form (optional)

The Department of Labor (DOL) requires employers with 100 or more participants in the Health Reimbursement Arrangement to annually submit this form at the beginning of the plan year. This does not apply to governmental entities or church-controlled plans. Employee Benefits Corporation completes this form for clients, so all they have to do is sign it. We offer this 5500 Form filing service for an additional fee.

Annual renewal program services

Overview

Employee Benefits Corporation's renewal program is designed to support the client's efforts to maintain the EBC HRA and to continue compliance activities. We also provide the same support, compliance, reporting and processing services as we did during first-year implementations.

Employee Benefits Corporation offers materials especially designed to help inform employees about the plan after the first year.

The EBC HRA Program Summary

This flyer summarizes key features of the plan and briefly reminds employees of the benefits of participating in the EBC HRA.

For more information

Contact Employee Benefits Corporation if you have any questions or would like to implement the EBC HRA.

On the web:
www.ebcfilex.com

By Phone:
Monday - Friday, 8:00 - 5:00 CST
Local: 608 831 8445
Toll Free: 800 346 2126

By Fax:
608 831 4790

By US Mail:
Employee Benefits Corporation
P.O. Box 44347
Madison, WI 53744-4347

There are several different ways you can contact us:

Employee Benefits Corporation

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