FLEXIBLE SPENDING ACCOUNT (FSA) ADMINISTRATION

QualChoice is uniquely positioned to simplify your FSA Administration experience! Our FSA administration services leverage our state-of-the-art technology, innovation and outstanding customer support to administer a complete FSA solution for employers and their employees! From initial enrollment to ongoing account administration, the QualChoice dedicated account team simplifies administration of spending plans.

Our FSA Administration offers:

✓ enrollment, claims and administrative services
✓ compliance services
✓ employee meetings to explain FSAs in easy to understand terms
✓ web-based self-service tool that provides access to claims status, claim forms, FAQs, etc.
✓ dedicated and reliable customer service support

WHAT BENEFITS CAN BE INCLUDED?

HEALTH CARE FSA
A health care spending account allows employee to pay for eligible expenses not typically covered by their health care plan. Some typical expenses may include health care copays and deductibles, prescription drugs, eye exams, eyeglasses, eye surgery, contact lenses and solutions, dental visits, orthodontic care, and chiropractic services. Effective January 2011, over-the-counter medicines or drugs will not be eligible for reimbursement without a doctor’s prescription.

IRS publication 502 offers a general guideline of eligible expenses for a Health FSA. Health Care FSAs are governed by the rules of Section 125 of the Internal Revenue Code and will be administered in accordance with those rules.

DEPENDENT (ADULT AND CHILD) CARE FSA
A dependent care spending account covers the cost of care provided by eligible caregivers for dependents under the age of 13, or for a disabled spouse or other dependent who is claimed for tax purposes. Examples of covered expenses include: day care, day camp, and before and after school care.

IRS publication 503 offers a general guideline of eligible expenses for a Dependent Care FSA. Dependent Care FSAs are governed by the rules of Sections 125 and 129 of the Internal Revenue Code and will be administered in accordance with those rules.

ADOPTION ASSISTANCE PROGRAM
In addition to offering health care and dependent care FSAs, employers have the option of implementing an Adoption Assistance FSA that covers qualified adoption expenses to include those fees and related expenses incurred for the adoption of a qualified child.

The federal tax code allows an exclusion from federal income taxes for employer payments and reimbursements of adoption expenses made under an adoption assistance plan – but only if the plan and the benefits meet certain specific requirements.

FLEXIBLE SPENDING ACCOUNTS (FSA)
FSAs are an increasingly popular way for employers to empower their employees in the health benefits arena. The FSA portion of Section 125 allows for employee contributions to a dedicated savings account to be made on a pre-tax basis, resulting in savings to both employers and employees. Thus reducing the company’s total taxable payroll and directly lowering payroll-related taxes and employees reduce their taxable income and pay less in federal, state, and Social Security and Medicare taxes.

HOW AN FSA WORKS
Interested employees decide how much per pay period they want to contribute to the FSA. That amount is then payroll deducted from their gross (pre-tax) wages and deposited directly into the account. The money is deducted before taxes, so their taxable income is lower. Each employee carefully determines the amount to budget for medical or dependent expenses. IRS regulations prevent FSA participants from changing their contribution amounts or dropping out of the FSA during the plan year unless they experience a change in family status.

Any unused money in an employee’s FSA at the end of the year cannot be reimbursed to the employee unless a grace period has been previously added at the employer’s discretion. FSA funds do not roll over from year to year and any unused funds are forfeited back to the company.

If the employer offers a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA), only a Limited Purpose FSA can be offered to those employees that have an HSA. The Limited Purpose FSA complements the HSA and pays only for the eligible vision and dental expenses. Medical expenses are not permitted because the tax-advantaged HSA funds those costs.

FSA FEE SCHEDULE

<table>
<thead>
<tr>
<th>NEW GROUP SET-UP AND RENEWAL FEES</th>
<th>MONTHLY ADMINISTRATION FEES</th>
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</thead>
<tbody>
<tr>
<td>$500 set-up fee for new groups</td>
<td>$4.00 per participant per month (Health Care and/or Dependent Care)</td>
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<tr>
<td>$200 renewal fee</td>
<td>$150 minimum fee per month</td>
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