

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

271



FROM: Human Resources Department

SUBMITTAL DATE:
September 16, 2010

SUBJECT: Flexible Spending Account Administrative Services with Application Software, Inc., doing business as ASIFlex

RECOMMENDED MOTION: That the Board of Supervisors 1) approve ASIFlex as the new Flexible Spending Account Administrator for the County's Flexible Spending Account (FSA) programs for the period of January 1, 2011 through December 31, 2016; and 2) approve the programs administrative service fee.

BACKGROUND: On January 1, 2000, the County established Flexible Spending Account (FSA) programs that allow eligible employees to enroll in Internal Revenue Services Section 125 pre-tax Health Care and Dependent Care reimbursement plans. The Health Care FSA reimburses participants on a pre-tax basis for out-of-pocket medical expenses incurred during the plan year that are not covered by insurance or a health plan. The Dependent Care FSA is used to reimburse participants for child day care, or care for an adult dependent who is incapable of self-care and is claimed as a taxable dependent.

Barbara A. Olivier

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Asst. County Executive Officer/Human Resources Dir.

FINANCIAL DATA

Current F.Y. Total Cost:	\$ 69,000	In Current Year Budget:	N/A
Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
Annual Net County Cost:	\$ 0	For Fiscal Year:	2010/2011

SOURCE OF FUNDS: Employee and Department Contributions.

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY: *Stephanie Persi*
Stephanie Persi

County Executive Office Signature

- Consent
- Policy
- Consent
- Policy

Dept't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.:

District: A11

Agenda Number:

3.52

The County currently self administers the Health Care Account (HCA) and Dependent Care Account (DCA) reimbursement programs. The County offers these programs to approximately 18,000 eligible employees. Employees may elect to contribute up to \$15,000 annually for the HCA and up to \$5,000 annually for the DCA plan.

In an effort to provide enhanced program tools to employees and in response to program changes required by the Federal Health Care Reform legislation, Human Resources conducted a Request for Proposal (RFP) to solicit offers from qualified Flexible Spending Account administrators to administer the County's HCA and DCA programs for active employees.

The County received eight (8) responses to the FSA RFP. The RFP responses were evaluated on the following criteria: 1) Experience and Ability; 2) Service; 3) Cost; and 4) Overall Responsiveness to the RFP. Application Software, Inc. (ASIFlex) was most responsive to the RFP and has shown capability to effectively administer the plans and manage cost without sacrificing quality or participant satisfaction. ASIFlex offered the most competitive and cost-efficient administrative service.

ASIFlex

ASIFlex is a nationwide third party administrator of Flexible Spending Accounts and has been a provider of employee-benefit solutions since 1987. ASIFlex provides FSA administrative services for more than 350 clients and more than 120,000 FSA participants nationwide. ASIFlex administers the FSA programs for the State of California, the California State University System, and was recently awarded a contract to administer San Diego County's FSA program.

Human Resources recommends ASIFlex for its unique product line of tax-favored employee benefits in which they provide:

- Access to a live Customer Service Representative, Monday through Friday 4am – 6pm, Saturday from 8am – 12pm;
- Claims submission via toll-free fax, online upload or U.S. Mail;
- Next day claim processing with the option of direct deposit or paper check reimbursement; and
- A robust website for plan participants to access secure online account information, verify plan elections, and access disbursement history 24 hours a day.

In addition, ASIFlex will conduct the annual non-discrimination compliance testing for the County, and will work to resolve any issues related to federal regulations and mandatory implementations. If approved, ASIFlex will assume administration and claims payment for the remainder of the 2010 plan year to facilitate a seamless transition and reduce the risk of overpayment.

Debit Card Feature

The debit card provides a convenient method to pay for out-of-pocket medical expenses for employees and their tax dependents. The ASIFlex FSA debit card is restricted to purchases at health care providers (such as health clinics, hospitals, etc.) and retailers such as drug stores that have implemented appropriate Inventory Information Approval System (IIAS). Certain situations will allow FSA debit card transactions to be electronically substantiated, meaning that no follow-up documentation will be required and no check is involved when the debit card is used. In the event that follow-up documentation is required, employees will receive a request for follow-up documentation from ASIFlex.

Human Resources anticipates that offering the electronic debit card for the County's Health Care Reimbursement Account will increase employee participation. Participation in the program saves the County 7.65% in Federal Insurance Contributions Act (FICA) payroll taxes for every dollar contributed into the FSA program. Overall savings is related to the rate of participation; the higher the participation the greater the savings.

Direct Deposit Feature

In lieu of waiting for a paper check, participants who do not use the debit care may elect to have their FSA reimbursements deposited in their bank accounts via direct deposit. Reimbursement generally occurs within 24 hours of processing a claim, which reduces the potential of fraud, lost checks and postal delays. Participants will receive automatic electronic notices of bank deposits and FSA account balances.

Fee

Participants contribute pre-tax funds to pay program expenses and County departments are charged a \$4.00 administrative fee for employees who participate in the FSA program. Human Resources was successful in negotiating a cost neutral fee arrangement, with a five year rate guarantee that will allow Human Resources to reduce staff by one FTE at \$69,000 per year, while providing many enhanced benefits to our employees.

As is consistent with the County policy, the County may terminate the Agreement with ASIFlex without cause upon 30 days written notice during the five (5) year period, stating the extent and effective date of termination.

Conclusion

The County's FSA programs are funded by a combination of participant fees charged to departments and account balances forfeited at the end of the plan year. Therefore, there is no additional cost to the County for these services.