



Debit Cards

What are They and How Do They Work?

FlexMagic Consulting, Inc. is pleased and excited to now offer you an alternative method of administering your Flexible Benefit Plan Spending Accounts – The **Debit Card**.

Here's how it works.....

New IRS guidance now sanctions the use of Debit Cards to make it easier for employees to access their spending account dollars. In the past employees would set aside part of their wages (tax-free) to pay for dependent care or eligible health care expenses. Claims were then submitted for reimbursement from these tax-free accounts. Reimbursements were made after the service had been incurred.

Now, employees can have a Debit Card (like a credit card) which allows them to pay for **pre-scripted refills** and **doctor co-payments** without having to submit a claim. The Plan participant simply swipes the card and pays these expenses with dollars already credited to the Debit Card in the amount of the annual spending account election. This saves the participant time and makes the process easier. Instead of paying for the expense and then submitting a claim – the participant just pays for the expense with the Debit Card at the time the expense is incurred.

Other eligible expenses, like eye glasses, dental work and child care can be paid directly to the provider by using the Debit Card swipe; however, release of payment from the Debit Card is withheld until the expense is first validated by submitting proper receipts to FlexMagic Consulting, Inc., your Third-Party Administrator (TPA). Upon review of the claim, the funds are then released for payment from the Debit Card to the provider. If the provider is unable to take a credit card payment the Plan participant pays for the services and then submits a claim (as usual), for manual review and is then reimbursed via a check or direct deposit option.

What Do You Do Next?

Make the Decision....

If you choose to offer the Debit Card you must be a FlexMagic Consulting, Inc. TPA client and decide to offer the card prior to your open enrollment so there is time to communicate the program to your employees. All spending account participants will then be issued a Debit Card at an additional fee of \$1.50 per participant per month.

Interesting Facts: A typical company converting to the use of a Debit Card boasts on average a 30% increase in Flex Spending Account participation, due to the ease of use when a Debit card option is available. Once using a Debit Card, 98% of employers retain the option.

Communicate the Program.....

Materials explaining how to use the Debit Card will be provided by FlexMagic Consulting, Inc. for distribution to your employees during Open Enrollment.

Account Set-Up....

Once Open Enrollment is completed, each participant Debit Card will be set with a credit limit equal to the annual election for the Health Care Spending Account and (if elected by the employer) set up for on-going funding (based on the payroll schedule) for the Child/Dependent Care Accounts. Participants will also be required to select either a live-check or a direct deposit option for payment of claims not suitable to Debit Card reimbursement.

Each Employer will specify (when the design options are set up) which types of expenses will be allowed on the Debit Card and which expenses will always require claims submission and reimbursement. Example: Some Employers may prefer not to offer the child/dependent care as a Debit Card option due to the on-going funding mechanism required to be compliant.

Debit Card Distribution.....

Following Open Enrollment one Debit Card per spending account participant will be provided. A second card for a spouse may also be ordered.

Employer Funding Obligations....

The Employer must set up a separate bank account, for the sole purpose of reimbursing spending account dollars. This account should be funded at about 4% - 5% of the annual elected amounts to ensure adequate funding as Debit Card use is initiated.

Daily e-mail reports will be provided to the Employer not only regarding the utilization of the Debit Card but also manual claims reimbursement (also processed daily). Adequate funds must be maintained at all times within the account to pay claims. A \$100 fee, payable to FlexMagic Consulting, Inc., will apply if there are insufficient funds to pay claims on any given day, as the Debit Card company charges us a penalty if your account has insufficient funds.

Reports are provided each afternoon regarding Debit Card transactions and live checks and/or direct deposit reimbursements.... with funds actually being released approximately 24 hours following the e-mail notice.

Participants can access their account information on-line and e-mail correspondence relating to pending claims, claim payments and claim denials will be provided at each transaction via e-mail or by regular mail.

FlexMagic Consulting, Inc. will be assigned signature authority on the account for reimbursement purposes and is adequately bonded for this purpose.

We are pleased to offer you this state-of-the-art service and believe it will provide convenience and simplicity that will be appreciated by you and your employees.

*The FlexMagic Consulting, Inc. Debit Card is offered in partnership with **mbi, Inc.** a Debit Card provider since 1995 with over 300,000 individual card users nationwide.*