In order to ensure a smooth implementation, we will need to obtain employer information, plan information and other criteria. The Employer Application Talking Points will assist you in the preparation of the information required for the AetnaFSA implementation. The items listed will be discussed in more detail during the initial conference call. After the initial conference call, you will receive, via email, a detailed confirmation page of the information discussed to ensure the accuracy of the Plan Design.

**FSA Benefit Note**

Employee contributions to a FSA must be used during the plan year. If there are any remaining funds at the end of the year, the employee forfeits those funds. Since funds are only applicable for expenses incurred within the plan year, it is vital that employers inform employees of the rules and employees estimate their annual expenses conservatively.

**Employer Information**

When initially implementing an employer in AetnaFSA, we request specific information about the employer.

**Contact Information:**
The Plan Administrator will be the main contact for any AetnaFSA Administration questions, will have access to the AetnaFSA website, receive reimbursement reports and receive the monthly administration invoice via email.

**Plan Administrator Contact Information:**
Name, email address, phone and fax number. If there is a different contact to receive the monthly administration invoice, we will need their name, email address, phone and fax number.

**Organization Type:**
- Corporation
- Sub Chapter “S” Corporation
- Partnership
- LLC – Limited Liability Company
- Government Agency
- Professional Corporation
- Professional Association
- Other

**Standard Industry Code:**
The Standard Industrial Classification (SIC) is a classification system used in the United States to collect statistical information based on business activities. We will ask you to provide the employer’s four digit SIC, or industry type. For example, a car dealership’s industry is Motor Vehicle Dealer and their SIC is 5511.

**State Law:**
Some companies might have multiple locations in different states. In this case, we would need which state law applies to the company’s plan.

**Non-Discrimination Testing**
Tests Performed:
- Key Employee Concentration Test
- More than 5% Owners Test
- 55% Average Benefits Test

**Employee Participation**
IRS Regulations stipulate that only employees and former employees can participate in a FSA. FSAs are not allowed to be discriminatory in terms of who can participate on the plan.

**The following are not eligible to participate in the FSA:**
- More than 2% shareholders in an S-Corp, including employee spouses, parents, children & grandchildren
- Sole Proprietors
- Partners in a Partnership
- Members of an LLC
- Outside Directors
- Anyone deemed to be Self-Employed

**There are some classifications allowed for employees:**
- Full Time vs. Part Time
- Active vs. Former
- Non Union vs. Union

**Ineligible Classifications:**
- Management vs. Non-Management
- Only Employees with x number or years in service
- Only employees with compensation in excess of x amount
Eligibility Requirements

FSA plan’s eligibility requirements and employee participation:

1. The following class of employees are eligible to participate:
   - Same as underlying health policy
   - All full-time employees
   - All employees
   - Salaried employees only
   - Hourly employees only
   - Other

2. The following employees are excluded from participation:
   - Same as underlying health policy
   - No exclusions
   - Part-time employees normally expected to work less than a specific number of hours a week
   - Employees under a specific age
   - Union employees (unless the bargaining agreement provides for coverage)
   - Non-resident aliens
   - Other

3. The service period employees must complete before being eligible to participate is as follows:

   A. For the initial plan year, anyone employed on the plan effective date and subsequent plan years:
      - Same as underlying health policy
      - As of date of hire
      - Number of days after date of hire
      - Number of months after date of hire

   B. For all plan years:
      - Same as underlying health policy
      - As of date of hire
      - Number of days after date of hire
      - Number of months after date of hire

4. Once the employees are eligible, they can begin participating in the plan:
   - Same as underlying health policy

Plan Periods and Renewal Dates

The FSA can be effective based on the medical plan year in order to coincide with your medical policy period. A short plan year is allowed if the FSA is being added as a benefit in the middle of the normal benefit period. Note: An Employer can not have two consecutive short plan years.

FSA Benefits

Pretaxing Premiums: The Cafeteria plan makes it possible for employees to use pre-tax income to pay medical insurance premiums. Employees who elect to make special salary deductions as part of an IRS Section 125 Premium Only Plan can make savings on their federal, state, and city income taxes. An employer can benefit from reductions in Social Security, Medicare taxes, payroll taxes and on federal unemployment taxes in a number of states.

Pre-Tax Account Options:
   - Health, Dental and Vision Insurance Premiums
   - HSA Contributions
   - Group Term Life Premium (up to $50,000 in face value)
   - Supplemental Health Insurance Premiums
   - Health Flexible Spending Account (FSA) contributions
   - Limited Scope FSA
   - Dependent Care expenses

Medical Reimbursement:

With an IRS Section 125 Premium Only Plan, a flexible spending medical reimbursement account is an additional benefit. Through a flexible spending account, the employee is provided with a tax-free way of paying for your medical, dental and
Flexible Spending Account (FSA)
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vision expenses. The expenses under which you can benefit from a flexible spending medical reimbursement account include dental checks, doctor copayments, contact lenses and prescription drugs.

Dependent Care Spending Account (DCAP):
Used to pay for child care or adult dependent (for tax dependents) care expenses that are necessary to allow the employee and spouse, if married, to work, look for work or attend school full-time.

Limited Scope FSA:
Used in place of the general purpose Health Care Flexible Spending Account (HCFSA) if the participant enrolled in a High Deductible Health Plan with a Health Savings Account (HSA). The Limited Expense HCFSA allows participants to submit eligible dental and vision expenses only.

FSA Benefit Limits
The Employer sets the minimum and maximum benefit for Employee funding contributions.
• For Dependent Care purposes, the IRS maximum limits are:
  - $5,000 a year if single or married & filing jointly or $2,500 if married & filing separately.
  - Effective January 1, 2013 the IRS maximum limit for FSA medical reimbursement is $2,500

Streamline and Claim Submission
Streamline provides the capability for automatic, paperless submission of FSA claims submitted and processed through Aetna’s medical plan. Once a participant’s claim is processed through medical or dental (if applicable), the claim data is provided electronically for submission through the AetnaFSA plan. The participant just has to provide their medical ID card at the time of service and there is no need for manually submitting an Explanation of Benefit (EOB) or reimbursement form.

The streamline data is received weekly and reimbursement is in accordance to our reimbursement schedule. Claims received by the 5th are reimbursed on the 15th. Claims received by the 20th are reimbursed on the last day of the month.

Once a claim is processed through medical, the claim data is received within approximately 10 business days. Reimbursements for medical claims are based on when the provider submits the claim and the time required for adjudicating the claim. In most cases, the participant will receive their reimbursement for the medical claim prior to receiving a bill from the provider. For prescriptions, the participant purchases the prescription and we receive the claim via streamline within approximately 10 business days. Reimbursement will be received in accordance to our reimbursement schedule.

Note: Streamline cannot be used in conjunction with a Debit Card Reimbursement Option.

Streamline Not Applicable:
Participants cannot participate in streamline if there is:
• Coordination of benefits — Participants or their dependents have coverage under another health plan.
• Domestic partner coverage — Participant’s medical coverage includes a domestic partner who is not a dependent for federal income tax purposes. The medical expenses of the domestic partner who is not a tax qualified dependent are not eligible for reimbursement under the FSA.

Participant Reimbursement Options
Our reimbursement method is Direct Deposit. Listed below is information regarding our direct deposit process and alternative reimbursement methods.

Direct Deposit:
AetnaFSA will transfer funds electronically from the employer to be deposited directly into the participants’ accounts. Reimbursements are processed twice a month, on the 15th and the last day of the month. Email notification will be sent to the employer 24-48 hrs prior to our reimbursements indicating the amount to be funded for the FSA reimbursements. Participants must provide a Direct Deposit form and a voided check from their checking account.
Flexible Spending Account (FSA) Employer Application —
External Talking Points

Check:
AetnaFSA will provide checks issued to the participant with the employer banking information. These checks are mailed directly to the employer for disbursement to the employees; the funds will be drafted from your account when the employee cashes/deposits the check. Reports will also be provided in addition to the checks for each reimbursement.

Combination of Direct Deposit and Checks:
Some employees will receive checks and some will receive direct deposit into their checking accounts for their FSA reimbursements. (Participants selecting direct deposit must provide a Direct Deposit form and a voided check from their checking account.)

** The above options require the following **
1. Voided check or MICR for the bank account which will be used to fund the FSA. (If only a starter check is available, provide a letter from the bank listing the employer name, routing number and account number as confirmation in addition to the starter check).
2. Starting check number (if check option is chosen)
3. Direct Deposit forms and voided checks from each employee’s checking account (if Direct Deposit option is chosen)

Report Only:
AetnaFSA will provide semi-monthly reports, via email, for the claims that we have received and processed. The employer will issue reimbursements to the participants as provided in the reports. (This option cannot be in conjunction with check or direct deposit. We do not require any banking information from the employer or employees for this option).

Debit Card Option:
FSA participants can use the debit card for qualified expenses at qualified locations who accept MasterCard. The IRS does require that all debit card transactions be substantiated. Debit Card transactions for known co-pays or for qualified expenses at an IIAS certified vendor will automatically substantiate and will not require further action from the participants. A claim form along with a copy of the provider bill showing the date of service, provider’s name, type of service and charge amount will have to be submitted for all other transactions. The participants will receive email notifications when their card is utilized for a transaction, when further substantiation is necessary, and when the transaction has been substantiated. Participants who do not substantiate their claims in a timely manner (on average, 30 days) will have their cards deactivated and will be required to provide proof of substantiation or reimburse the employer for the unsubstantiated transaction. Employees as well as the employer can view the debit card transactions, including pending information, online 24/7 via www.myaetnafunds.com.

Debit Card Account Funding:
The debit card account needs to be partially funded by the Employer at implementation. The initial deposit will be determined once we obtain the number of participants and the total annual elections. The employer will also be required to maintain a minimum balance in the debit card account during the plan year. The minimum balance is recalculated every month based on the participants and the available balance. The debit card account can be funded by company check, EFT, or wire. Employers will be notified via email when the account needs to be replenished.
- An additional fee will be charged for replenishments made via check or wire.

Run-out Period and Grace Period

Run-out Period:
A run-out period is a number of days after the plan year that the participants can submit claims for dates of service within the AetnaFSA plan year. The standard run-out period is 60 days. Unless otherwise specified, the run-out period will be the same for a terminated employee.

Grace Period:
A Grace Period is a limited rollover of unused funds from a Health FSA into the first 75 days of the new Plan Year. Employees will be able to utilize funds from the prior year with claims incurred in the first 75 days of the new plan year.
- If a Grace Period is implemented, the 60-day Run Out period will begin once the Grace Period ends.
Flexible Spending Account (FSA) Employer Application — External Talking Points

Additional Requirements

- Completed FSA census (eligible employees)
- Employer’s Banking information (if applicable)
- Employee’s Direct Deposit information (if applicable)
- Employee’s Debit Card Applications (if applicable)

MyAetnaFunds.com

Once the implementation has been finalized the Plan Administrator will be provided access the AetnaFSA website.

If additional access for Human Resources is needed, we will require their name, email address, phone and fax number. Website access cannot be provided to a broker due to private employee information. The Plan Administrator can view balances and access reports. The employees will also have access to the AetnaFSA website to view their personal account information.

Invoicing

The employer will receive their monthly invoice for their AetnaFSA administration fees via email. Note: The employer will remit their AetnaFSA fees to a different address than their Aetna Medical Address.

Monthly fees may be paid electronically through ACH. During the implementation process, an ACH form for the monthly fees will be provided.

Next Steps

After the initial implementation call, an email will be provided with a confirmation of the plan information discussed during the call, and list any remaining information needed. During the implementation process, if there are any questions, the Plan Administrator will be contacted.

- We will follow up with the Plan Administrator until all information is received.
- Once all required information is received, the information will be updated in our system.
- We will update the Plan Administrator and/or Broker throughout the process through final implementation.

Welcome Kit

Upon final implementation, the Plan Administrator will receive a AetnaFSA Welcome Kit. The Welcome Kit will contain an Administrative Guide which provides more details on the AetnaFSA process, forms, Website Instructions, our Customer Service contact information and the counter signed documents.

AetnaFSA Accounting will begin sending out the monthly administration invoices beginning with the AetnaFSA effective date. The AetnaFSA Customer Service team will provide support and handle all future requests.