



TO: SOUTHERN NEVADA DISTRICT BOARD OF HEALTH DATE: 10/22/2009

RE: *Approval of a Flexible Spending Account (FSA) for the Employees of the Southern Nevada Health District, Effective January 1, 2010*

PETITION #33-09

That the Southern Nevada District Board of Health *approve Flexible Spending Account (FSA) for the Employees of the Southern Nevada Health District, Effective January 1, 2010*

PETITIONERS:

Angus MacEachern, Human Resources Administrator

Scott Weiss, Director of Administration

Lawrence Sands, DO, MPH, Chief Health Officer

DISCUSSION:

Pursuant to the Labor Agreement, the Health District's Health Insurance Study Committee (HISC), made up of management and union members, recommends that the Health District establish a Flexible Spending Account (FSA) benefit program for the employees of the Southern Nevada Health District. The purpose of the program is to allow employees to pay for some medical costs and dependent care costs on a pretax basis. Employees elect a specific dollar amount to be deducted (redirected) pre-tax from their paycheck which is then deposited into a special non-interest bearing account established by the District. After review of the claim to ensure the expense(s) meet the criteria set forth by the guidelines under Treasury Regulation §1.125-5(d) and (g), a reimbursement check from the special account is sent to the employee. The American Family Life Assurance Company of Columbus (AFLAC) is the recommended administrator for this program and would review the claims and send the reimbursement to the employees.

The HISC recommends the following plan parameters be adopted for the Health District in the final plan document.

- Eligibility for new hires on the first day of the month following 6-month probation
- All other employees eligible beginning plan year January 1, 2010 – December 31, 2010
- Annual election maximum of \$1500 for unreimbursed medical expenses

- Annual maximum of \$5,000 for dependent day care
- Deductions taken on 24 pay period cycle
- Extension of claim submittal to 90 days after the end of the plan year to file claims

This petition recommends approval of the resolution establishing a Flexible Spending Account to the Health District's benefit package in accordance with normal District financial procedures and U.S. Treasury Department regulation. Adoption of this benefit program will help to keep the Health District competitive in attracting and keeping qualified employees.

FUNDING:

This program is primarily funded by the money redirected from participating employees' earnings before income taxes. There will be minor costs to the Health District for fund transfer fees and other costs. There is also a limited risk to the District if an employee incurs eligible expense(s) that exceeds the amount the employee has deposited in a medical FSA which is an insurance program. This risk exists because the total unused amount of reimbursement from a medical FSA must be available to the employee at all times during the period of coverage. The District would be responsible for funding reimbursement amounts that exceed dollar amount in the medical FSA account until the account had sufficient funds. Employees must use all of their redirected funds during the tax year or the runoff period or the funds are forfeited to the FSA account. Because of this "use it or lose it rule," funds normally build up in the FSA within a few years to cover any potential shortfalls. Average participation in established FSAs is approximately 3% of total employees or in the case of the District, approximately 15 employees.

Resolution to Follow