

Employer Return on Investment with the Stanley, Hunt, DuPree & Rhine Prepaid Card



The effect of maximizing participation and contribution levels on your bottom line.

For companies that have never offered a Flexible Spending Account (FSA) Program, a health care FSA all by itself can bring advantages to employers and employees alike. But a modernized, promoted FSA with a simple-to-use Prepaid Benefits Card from Stanley, Hunt, DuPree & Rhine (SHDR) can do so much more. The introduction of the Card can help maximize participation and contribution levels, benefiting both you and

your employees. And it can pave the way for future consumer-directed benefit plan changes. Let's take a look at the potential savings that can be realized by offering a health care FSA with our Benefit Access Card in a variety of scenarios, assuming a company size of 1,000 employees. In all three cases illustrated in the chart shown below, the cost of a Prepaid Benefit Card is covered by the FICA tax savings, even in the first scenario where the average contribution is below the national average.

	<i>FSA Only - Before Card</i>	<i>FSA with Debit Card based on conservative projections</i>	<i>FSA with Debit Card based on best case projection</i>
Total Number of Benefit Eligible Employees	1,000	1,000	1,000
Number of Participants	200	250	300
Participation Rate	20%	25%	30%
Increase in Participation Rate	N/A	25%	50%
Average Contribution Amount*	\$924	\$1,063	\$1,201
Percentage Increase in Average Contribution	N/A	15%	30%
Total FSA Contributions	\$184,800	\$265,650	\$360,360
Effective FICA Tax Rate**	7.34%	7.34%	7.34%
FICA Tax Savings	\$13,564	\$19,499	\$26,450
FICA Tax Savings Per Participant Per Month (PPPM)	\$5.65	\$6.50	\$7.35
Less Example of FSA Fee (PPPM)	\$4.75	\$4.75	\$4.75
Net Benefit to Employer (PPPM)	\$0.90	\$1.75	\$2.60

* \$1,216 is the Avg Contribution amount from 2005 Mercer Survey of National Employers (released in 2006)

**FICA tax rate: 7.34% assumes 96% of emp below FICA Limit

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**SHDR Flexible
Benefits Division**

headquartered in Greenville, South Carolina began operation in 1988. We began to offer the SHDR debit card technology in 2002. In 2006, SHDR partnered with Evolution Benefits to bring the latest technology. The Prepaid Benefits Card applies advanced payment and patented auto-substantiation technologies to FSAs, HRAs, and HSAs. EBs core auto-substantiation technologies were patented in 2007 and other patents are pending. Evolution Benefits powers the card programs of more than 175 health plans and administrative services and covers over 6,500 employers, including over 60 of the nation's top-ranked Fortune and Forbes companies.

**Additional Prescription Drug Cost
Sharing Opportunities**

In addition to the FICA savings, introducing an FSA with a Prepaid Benefit Card also offers additional cost reduction opportunities for you by making it easier to implement cost sharing with employees. How? By encouraging employees to participate in the FSA, you can increase employee contributions that may be offset by their tax savings.

For example:

Let's assume average annual employer health benefit costs of \$4,500 per employee, with prescription drug coverage costs at 15% of that – or \$675 per year per employee in prescription drug benefit costs. And let's assume the company implements a 10% increase in the employee contributions for the Rx benefit by increasing the drug copay for prescription drug premiums. This equates to roughly \$67.50 per employee savings to the employer. For 1,000 employees, that 10% cost shift results in savings of \$67,500.

Introducing the modernized FSA benefit with Benefit Access Card could offset this cost shifting. If the company encourages the use of the FSA and the Card, an employee can elect to participate with the following results:

- For an existing FSA participant at a 28% federal tax bracket, a 5% state tax bracket, and below the FICA

wage maximum, use of pretax dollars reduces net cost shift by \$27.44.

- For a first-time FSA participant in the same tax brackets electing to contribute only \$170 per year to his/her FSA, tax savings of \$69.10 fully offset the additional Rx cost shift.

Bottom Line: The actual out-of-pocket to the employee is minimal – even offset – while the company enjoys significant savings.

So, How Do You Get This ROI?

We know your challenge is in getting people to sign up for the FSA in the first place. We think the way to do it is by offering the Benefit Access Card, because it's:

Simple to use – just a “swipe” of the Card in most instances

Convenient – virtually eliminating paperwork hassles

Eases “use it or lose it” fears – account balance is drawn down “real time” as expenses are incurred

Prepaid Benefit Cards Can Do More!

The Benefit Access Prepaid Card can also bring similar results when used with Health Reimbursement Accounts (HRAs) or Health Savings Accounts (HSAs) in consumer-directed plans... and more!

Visit us at www.shdr.com

or call 1-336-291-1105 for more information.

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