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EzFlex4U

Benefits Briefing

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Editor's Note

In an effort to keep you informed of regulation issues and new developments, we will be sending quarterly issues of our newsletter, **Benefits Briefing**. If there are HR contacts at your company who would benefit from this, please give us their names and email addresses, and we will add them to the distribution list.

Tri-Star Benefit Systems, Inc. acquires EzFlex4U.com

During the fourth quarter of 2005 Tri-Star acquired EzFlex4U.com and has merged the two Section 125 Plan administration businesses together. EzFlex4U.com was established in 1999 in Kansas City, MO and concentrates in the public sector market, providing FSA administration to more than 125 schools and local governmental units. Tri-Star was incorporated in 1987 and has assisted over 150 employers with their flexible benefit plan needs.

The merger will combine the strong marketing and educational resources of EzFlex4U.com with the outstanding data and systems capabilities of Tri-Star Benefit Systems, Inc. The two companies have worked together under a joint venture agreement since 1999 and the merger represents the opportunity for both companies to expand both their services and marketplace. The combined company will continue to maintain offices in both Kansas City and the St. Louis metropolitan areas.

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Treasury and IRS Issue Guidance on FSA Grace period and HSA Eligibility

On November 22, 2005, the IRS issued Notice 2005-86, which clarifies the interaction of the 2½ month Health FSA grace period and eligibility to contribute to HSAs. The Notice indicates that individuals participating in a Health FSA with a grace period **are ineligible** to establish and contribute to a Health Savings Account (HSA) until the first day of the first month following the end of the grace period, **even if the individual has no carry over funds or exhausts such funds prior to the end of grace period**. However, the notice also provides guidance on how an FSA can be amended to enable a covered individual to contribute to an HSA during the grace period.

Individuals contributing to an HSA must be covered by a high deductible health plan (HDHP) and generally no other non-HDHP coverage including a health FSA. Consequently, an individual who has health FSA coverage extended by the grace period is ineligible to contribute to the HSA even though the health FSA has carry over funds or funds become exhausted (account has a zero balance). The notice indicates the employer may amend the FSA to be HSA compatible during the grace period by limiting the eligible expenses to dental, vision and preventative care expenses. The amendment must be consistent for all FSA participants, regardless of participation in an HDHP.

The notice also makes the following clarifications:

- The grace period must be made available to all participants who are covered on the last day of the plan year, including COBRA participants.
- The grace period must remain in effect for the entire period even though the participant terminates employment prior to the end of the grace period.
- Employers may limit the application of the grace period to only the health or dependent care FSA.
- The maximum grace period is the 15th day of the third calendar month after the end of the plan year, but may be shorter.

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New In 2006

Tri-Star will be adding the Evolution Benefits, Corp. **Benny Card** as another debit card option for processing of FSA claims, beginning in March of 2006. **Benny Card** is one of the nation's leading processors of FSA Debit Card transactions and features state of the art technology for automatic adjudication of pharmacy and medical co-pay claims.

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Limited Purpose Health Care Reimbursement Accounts

In 2006 Tri-Star will administer "Limited Purpose Health Care Reimbursement Accounts" for employers who are offering a qualified High Deductible Health Plan (HDHP) eligible for HSA contributions. Reimbursement is limited to "permitted coverage", including dental, vision and/or preventative care. Offering the Limited Purpose HCRA allows employees electing an HDHP option to benefit from pre-tax payment of their dental and vision expenses and also be eligible to make pre-tax contributions to an HSA.

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IRS Publication Links

With tax season upon us we wanted to provide you with some handy links to IRS Publications that may help you and your employees. We hope they are helpful to you.

[IRS Publication 502 \(Health Care\)](#)

[IRS Publication 503 \(Dependent Care\)](#)

[IRS Publication 969 \(HSAs and Other Tax-Favored Health Plans\)](#)

[IRS Publication 968 \(Adoption\)](#)

[Other IRS Publications](#)

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