



Welcome to Manley

One of the most important aspects of our business is keeping up with this industry's constant change. New IRS rulings, new health issues, new legislation—all affect not only our clients, but their employees as well. Keeping up with the changes and communicating them to you is part of our service. In fact, helping you stay up-to-date is one of the key reasons we publish this newsletter. For example, in

this issue we'll fill you in on the latest from the IRS regarding Form 5500 (it's good news) and the agency's new position on obesity. We'll offer our current perspective on Defined Contribution Plans. And we'll provide some tips that you can pass on to your participants to help make the reimbursement process easier.

When you need the latest information on Section 125 FSA Plans or COBRA, chances are, Manley Services has the answers. We encourage you to call our experts anytime.

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Client Profile Papé Group

If you work with heavy equipment, chances are, you know at least one of the Papé Group companies: Papé Brothers Caterpillar, Papé Machinery/John Deere, Hyster Sales Company, Flight Craft, or Ditch Witch Northwest.

Yet for a group of companies focused on providing the best in heavy equipment sales and leasing, the Papé Group also puts unique emphasis on the human side of their business. They not only provide high-end service to their many customers; the Group also

works hard to ensure its employees are well taken care of.

That's where Insurance Benefits Assistant Dayna Erner comes in. "It's my job to make sure everyone's happy," says Dayna. And that's a tall order—especially with 1,350 employees in six states.

Dayna maintains the health and other benefits provided by the Papé Group to their employees. Many days find her working with both employees and insurance providers to ensure the process flows as smoothly and easily as possible.

One of the benefits the Papé Group offers its employees is a Flexible Spending Account (FSA) Plan administered by Manley Services. "Manley has been a real ally in helping us take care of our employees," says Dayna. "Their representatives are happy to come with us to explain the benefits to new employees—and to review them with current employees. They present the plan and encourage participation."

What's more, the tax savings the Papé Group has experienced with their *continued on pg. 2*

5500 Schedule F—Suspended

IRS Suspends Requirement to File Form 5500, Schedule F

Effective immediately, cafeteria plan providers have less paperwork to complete.

The IRS has “indefinitely suspended” the requirement to file Form 5500, Schedule F, entitled “Fringe Benefit Plan Annual Information Return.” Furthermore, providers of health plans with under 100 participants, as well as church and public sector health plan providers, no longer have to file Form 5500 at all.

However, if your Cafeteria Plan has over 100 participants, you are still required to file Form 5500—although not Schedule F. Please note that this suspension does not affect the filing requirements for ERISA plans, including health FSAs.

While the IRS may decide to rescind this suspension in the future, for now, many cafeteria plan providers can reap the benefits. They can save time and effort by no longer filing Form 5500, Schedule F.

If you have been required to file Form 5500 in the past—or if you have any questions about whether your plan is required to file Form 5500 and/or Schedule F—please contact your broker. Or call Stan Manley direct at 1-800-422-7038, ext. 102.

ClientProfile *cont. from pg. 1*

Manley FSA Plan has enabled the company to replace a lost benefit. “We had to drop a high-cost vision benefit,” recalls Dayna, “but the FSA Plan enabled us to effectively replace that benefit with something even better for our employees.”

For Dayna Emer, helping employees get the most from their benefits is all part of the job of ‘making sure everyone’s happy.’ Let Manley show you how your company may be able to do the same. Call us anytime for a no-obligation consultation.

Defined Contribution Health Plans Way-To-Go or Wait and See?

You may have heard talk recently about what have become known as Defined Contribution Health Plans. The idea behind these types of plans is to help employees offset the cost of today’s higher-deductible healthcare coverage with health spending accounts.

While there are many different variations on plan design and trade names, the most common type of Defined Contribution Health Plan operates much like a health FSA. It allows employees to submit specific, otherwise-unreimbursed healthcare costs to a health spending account for reimbursement. Unlike the FSA, however, Defined Contribution Health

Plans are designed to be funded by the employer only—with unused funds carrying over from year to year.

Obviously, the most attractive aspect of the plan is this ability to carryover funds. However, if you’re investigating implementing this kind of plan, there are some important considerations to keep in mind.

First and foremost, the IRS has issued a statement of “no ruling” on Defined Contribution Health Plan carryovers. This means that, at present, it is unclear whether or not the carryover of funds would actually be allowed. Under some current non-binding rulings, the carryover appears

allowable. Other information indicates that the IRS may rule that such plans are cafeteria plans—and would not allow funds to carryover.

Depending on the specific design of the Defined Contribution Health Plan, there may be additional tax and/or regulation issues as well. For example, some types of plans may be available only to self-employed individuals or small employers; there may be HIPAA non-discrimination rules that apply and would require additional discrimination-testing procedures; or there may be additional ERISA or COBRA requirements with such plans.

If this sounds confusing, it is. Yet the good news is that

senior IRS officials have acknowledged the high degree of interest in these plans and have promised written guidance on the issue sometime this summer.

Best course of action right now? Sit back and relax until the IRS guidance is in. Once it is, your Manley representative will be able to discuss with you the pros and cons of a Defined Contribution Health Plan for your company and its employees.

And here’s another good reason to wait: there is congressional action on the horizon designed to address the carryover issue for Section 125 Health FSAs. Watch this space. We’ll keep you informed as events unfold.

Employee Profile Kim Morgan Apo

Kim Morgan Apo first got to know Manley Services from the customer side. In fact, her very first exposure to Manley was through her own Section 125 FSA—a benefit provided by her previous employer, Pacific Benefit Consultants.

Not only was she impressed with her FSA benefit; she was also pretty impressed with the company that administered it. So in 1996, when Kim decided she wanted to move to the Seattle area, she approached Manley about an opening in the Kirkland, Washington office.

Kim's qualifications and "can do" attitude got her the job—and she has been an

enthusiastic member of the Manley team ever since.

Kim remained in the Kirkland office for three years, then returned to Eugene to take her current position as Assistant to Manley Services President Stan Manley.

As Stan's Assistant, Kim provides the organizational skills and support required to keep Stan's busy office working smoothly. But she doesn't stop there. She's also the number one support person for the entire Manley sales staff.

A typical day might include everything from scheduling meetings and putting together proposals to answering customer-service

questions. A favorite part of her job is taking part in meetings to explain the benefits of FSAs to employees of Manley clients. Kim also appreciates working directly with Stan. "He's great to work for," she says. "And so is this company. Nobody treats their employees better than Manley. They really care—and they respect us."

When Kim isn't on the job, she enjoys redecorating her home, traveling, and being with her close-knit family. She loves spending time with her nieces and nephews, as well as with her brothers, Kalani and Makana, and her sister, Denise. Keeping it all in the family, Denise works for Manley



Services, too—as one of our friendly receptionists.

When you can't find Stan, now you know who to call. You can reach Kim at 1-800-422-7038, ext. 106.

Updates & Issues

Medical experts know that obesity is a major factor in heart disease. They also know that obese people show an increased risk for diabetes, stroke, high blood pressure, cardiovascular disease, gallbladder disease, certain cancers, and more. At the same time, recent news stories tell us, with alarm, that an increasing number of Americans are not just overweight, but obese.

To address this growing problem, the IRS has modified its stance on weight-loss programs and ruled that the cost of weight loss programs can be a reimbursable expense under cafeteria plans.

In the past, participants could only be reimbursed for the cost of weight-loss programs if they had a specific medical condition. The IRS now considers obesity itself to be a serious medical condition.

To be reimbursed for the cost of weight-loss programs such as Weight Watchers, Jenny Craig, Diet Center, or other

recognized weight-loss programs, participants must be diagnosed by their physicians as obese. The diagnosis will have to be reconfirmed each year the participant wishes to have his or her expenses reimbursed.

According to Manley Services President Stan Manley, who recently took part in an ECFC (Employers Council on Flexible Compensation) seminar addressing some of the issues raised by this recent ruling, there are some cautions. For example, while the cost of participation in weight-loss programs is reimbursable, the cost of food for such programs is not. Furthermore, expenses such as health club membership and personal trainers are also not reimbursable.

If you have any questions at all on this new ruling, Stan invites you to contact him personally by emailing stan@manleyserv.com or by phoning 1-800-422-7038, ext. 102.

Reminders



Reimbursement from Manley is fast and easy—usually within one week of the request. Participants can continue to ensure they get this speedy service by following these simple tips.

1. At the end of a Plan Year, make sure you mail, fax, or deliver to our office all required documentation for expenses you are claiming during that Plan Year within 90 days. You may call to confirm the receipt of your fax.

2. Be sure to include the date of service, a description of the service, and the full charges for the service on your Request Form. Note: Reimbursement is always based on the date you received the service, not on when you or your insurance provider paid for it.

3. Please note that funds from one account cannot be moved or used towards services in another account.

4. Cancelled checks and payment receipts are not sufficient documentation for reimbursement requests. Instead, include a copy of the “Explanation of Benefits” from your service provider—it’s excellent documentation.

5. To speed reimbursement on prescription drugs, be sure to include with your documentation, the date you received the prescription from the pharmacist, the name of the drug, and its cost.

6. Sorry, but general health supplements and vitamins are not eligible for reimbursement.

7. The same goes for cosmetic services; they are not eligible for reimbursement.

8. Massage is eligible for reimbursement—if your physician has prescribed massage for your specific medical condition. Please include a copy of your physician’s prescription with your Request Form.

- Please note that the amount you may claim for mileage expenses in 2002 has been increased to 13 cents per mile.

- There are three easy ways for participants to obtain the Request Forms that must accompany their requests for reimbursement: by mail, by fax, or on our website.

Request Forms by mail: Manley Services Form Request
P.O. Box 70168,
Eugene, OR 97401

Request Forms by fax: 1-800-575-1109

Request Forms by web: Download at www.manleyserv.com

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P.O. Box 70168, Eugene, OR 97401