



KEEPING YOU INFORMED AND UP-TO-DATE

SPRING 2004

New Year Brings Enrollment Increase OTC Drug Ruling, Benny™ Card Cited as Factors

Talk about starting off the New Year with a bang! Effective January 1, 2004, more than 50 new groups chose Manley Services to administer their employee benefit plans, and enrollment within existing groups increased approximately 25 percent. A typical increase in participation for the month of January is 3 to 10 percent.

Why such a dramatic rise in participation? Kim Apo, Executive Assistant at Manley Services, says, "It's partly because of the recent over-the-counter drug ruling, but enrollment also increased due to groups implementing the Benny™ Card, which in turn increased participation."

Since the IRS announced last September that over-the-counter (OTC) medications could be reimbursed on a tax-free basis through employer-sponsored health flexible spending accounts (FSAs), interest in these accounts has jumped. To be considered reimbursable, the medications must be needed to treat a medical condition.

Examples include pain relievers, cold medicines, allergy and heartburn medications, and smoking-cessation products. As word spreads about the OTC ruling, it appears that FSAs are becoming more attractive to many employees who previously chose not to participate.

Employees are also responding positively to the convenience of the Benny™ Card. In addition to the growth in new groups, Manley enrolled more than 150 existing groups onto the Benny™ Card during the third quarter of 2003, for a total of over 200 employers who now offer this benefit.

The Benny™ Card, for those who haven't heard, is a special "stored value" debit card used with a flexible spending account (FSA) or health reimbursement arrangement (HRA). When employees incur a qualified healthcare expense at a provider or business that accepts MasterCard®, they simply use the Benny™ Card. The amount of the expense is deducted automatically from their FSA or HRA balance and there's no need for employees to pay out of pocket. You can provide your FSA and HRA enrollees with this feature for a small additional charge.

While the IRS's OTC ruling and Benny™ Card have probably played a role in boosting our enrollment numbers, we understand that sustaining that business depends on superior customer service. We want to assure our clients that as we continue to grow in 2004, we're committed to upholding the level of service you expect from Manley Services. In fact, we have already added staff and procedures to facilitate our growth.

For more information about the Benny™ Card or the OTC drug ruling, or to learn more about our FSA plan, you're welcome to contact us by phone at (800) 422-7038 or by e-mail at sales@manleyserv.com.

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Client Spotlight D. L. Evans Bank

As “Idaho’s hometown community bank since 1904,” D. L. Evans Bank knows a thing or two about success. Since a group of pioneer businessmen started the financial institution in Albion, Idaho (the first bank in Cassia County), the company has grown to 12 full-service branches, two real estate offices, and 198 employees, with plans to open one to two new branches a year in the next several years.

In addition to standard banking products, such as personal checking, savings accounts, loans, and credit cards, the bank has a well-received online banking system and is one of the state’s top small business association lenders. But what is the true key to the bank’s remarkable longevity? Audra Lloyd, Human Resources Officer at their corporate office in Burley, Idaho, says, “You can find similar products at most any bank, but our edge comes from our service.”

D. L. Evans also understands the importance of taking care of its employees. One way the bank does this is by offering a flexible spending account (FSA) and dependent care account through Manley Services. “With the rise in cost of medical care, deductibles started to increase,”

“The flexible spending account really helps make prescription drugs more affordable.”

~ Audra Lloyd

Audra explains. “We wanted to give our employees an additional benefit to offset that, and add value to our benefit plan.”

Now in their third year of working with Manley, Audra says the plans have been very successful for them.

Enrollment is high, about 75 to 80 percent, and nearly all participants re-enroll each year. Prescriptions, over-the-counter drugs, and chiropractic have proved the most popular uses for the FSA. With so many options, the biggest complaint Audra receives is from employees who regret not contributing more money to the account.

Given that D. L. Evans places a high value on service, it follows that this characteristic is what most impresses them about Manley Services. Their employees appreciate Manley’s quick turn-around time, and Audra notes that

bills usually arrive at least a week early. Even occasional mistakes are handled with integrity. Audra gives an example: “Stan Manley recently sent us a letter apologizing for the delay in setting up our enrollment. It wasn’t a major problem, but to have the president of the company take responsibility—that really says a lot.”

HSAs: A New Consumer-Directed Healthcare Option

By now, you’ve probably heard about consumer-directed health plans, the increasingly popular alternative to traditional health insurance. Health savings accounts (HSAs) are the latest news on this front. Created by the Medicare Prescription Drug Improvement and Modernization Act of 2003, which became law on December 8, 2003, an HSA is much like an IRA, except that it’s for medical expenses.

To set up and contribute to an HSA, you must also have a qualifying high-deductible health insurance plan. Eligible plans must have an annual

deductible of at least \$1,000 for single coverage and \$2,000 for family coverage. Plans can (but don’t have to) provide first-dollar coverage for certain preventive care services and still qualify, but all other covered expenses—including prescription drugs—must be subject to the deductible. Qualifying plans can be either individual policies or group health policies.

Both individuals and employers can deposit money into the HSA, but the account belongs to the person for whom it is set up, not the employer. HSA accounts are administered by IRS-qualified HSA trustees, typically banks, and

they work much like a standard bank account. Account holders can let their unused balances build up from year to year, invest their account funds, earn investment income on the balance, and withdraw money for eligible medical expenses—all tax-free. And unlike health reimbursement arrangements (HRAs), HSAs are available to anyone who has a qualifying high-deductible health plan, including the self-employed and business owners or partners.

Consumers can use HSA funds to pay for care while they’re meeting their health plan’s deductible, or to pay for qualified health-

related expenses that aren’t covered by their health plan. In addition, HSA funds can be used for certain types of insurance premiums. Account funds are usually accessible via debit cards and checks, so participants can easily use their HSA funds to pay for healthcare at the point of service.

While Manley Services doesn’t administer HSAs, our parent company, PacificSource Health Plans, offers HSA-eligible health plans. If you’re interested in learning whether an HSA plan might be a good fit for your employee benefits package, talk with your insurance agent or visit www.pacificsource.com.

Employee Profile Jina Yotty

There is no such thing as a “typical” workday for Jina Yotty, Sales Representative in Manley Services’ Seattle office. “It varies,” she says. “I help payroll and HR personnel manage their plans, prepare proposals, and maintain and build broker relations. I also travel a lot.”

Jina started working for Manley in September 1999. She enjoys the variety of the position, but her favorite part of her job is “the interface with so many different people and companies. I like getting employers and employees excited about the benefits of implementing and using a Section 125 Plan.”

“Manley Services is an amazing company,” Jina says. “As an employee, my thoughts and opinions are

welcomed; I’m a person, not a number.”

She is equally impressed with the way Manley treats its customers. “We take a very hands-on approach to meeting our clients’ needs. It’s one of the most important values of Manley Services.” She thinks that kind of attention is rare these days. “Customer service is not what it used to be, but we take the time to give our clients support and education, and that really makes a difference.” She also believes that not trying to “do it all” is a smart approach for the company. “Specializing in just a few benefits gives us an advantage over our competition,” she says.

Born in Tacoma, Washington, Jina spends much of her free time outdoors with friends. A self-described “avid outdoorswoman,” she enjoys hiking, biking, snow skiing, water-skiing, and golf. When not outdoors, she focuses on spiritual pursuits, including a Bible study group, and volunteering as a youth group leader at her church. In addition, Jina organizes several singles events for area churches, including an annual New Year’s Eve party for 600-plus people.

Of her various personal activities, she says, “I’m continually meeting new people, and when asked what I do for a living, I have yet to come up with a way of



Jina Yotty

explaining my profession in ten words or less. Which always provides for an entertaining and educational conversation!”

“It’s great working for a company that not only prides itself in taking care of its customers, but also takes great care of its employees.”

You can reach Jina at (425) 822-4760 or jina@massea.com.

Stan Manley Authors First Book

Day is Breaking Reveals New Side of Company President

“Writing has become a passion, and I now want to share that with others,” says Stan Manley. This may come as a bit of a surprise to many people who only know Stan as the President of Manley Services, but after reading a few pages of his new book, *Day is Breaking: A Journey Back to Common Sense*, it all seems to fit.

Described as “a collection of poems and thoughts that affirm the goodness of life,” the writings reflect Stan’s values and gently inspire us to follow our dreams.

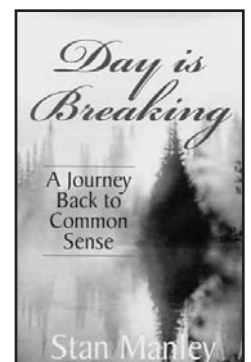
With a style reminiscent of Hugh Prather, the book touches on many themes, such as the importance of doing one’s best, being kind and positive, and appreciating the wonder of life. He often draws from his experiences as a father and youth athletics coach, and many of the poems point to the lessons we can learn from nature:

“Smoke rising through the trees/ From a campfire warming bones/ See it sift ever upward/ Past branches as obstacles in its way/ Reaching for the heavens/

Leaving ashes in the pit/ Like a spirit flowing freely/ Just released from mortal bonds.”

When asked how his writing relates to his work, Stan says, “I believe that no matter what job you do, you can always do your best. You don’t have to be the best at any one thing, but if you are giving your best—and only you know what that is—you’ll pass on a positive legacy to everyone else around you.”

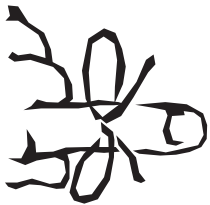
The book is now available at Amazon.com and other booksellers at the retail price of \$13.95. To order directly from the publisher (free of shipping charges), contact Seven Locks Press toll-free at (800) 823-3116. Book signings will be held in the Northwest starting in May; visit www.sevenlockspublishing.com for details.





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Reminders



It's tax season yet again, and time for a few quick "housekeeping" reminders that may be pertinent to your company:

- If you haven't yet signed and returned your Manley Services **Business Associate Agreement**, please be aware that the deadline is April 14, 2004. The form may be mailed to us at PO Box 70168, Eugene, OR 97401, or faxed to (800) 575-1109. If you have any questions, please let us know.
- **Sole proprietors** and two-percent or more owners in an "S" Corp., LLC, LLP, or partnership are not eligible to participate in the Section 125 plan. For more information, you're welcome to contact our Sales Department by phone toll-free at (800) 422-7038, or by e-mail at sales@manleyserv.com.
- **Dependent care account participants** must still file Form 2441 (Child Care Credit form) when taxes are filed each year.
- We can perform **discrimination testing** for your company, or you may prefer to perform the testing in-house. Either way, testing should be performed and passed each year. If testing is passed by a narrow margin, please be sure to let us know if you have any changes that could further affect your future test results.