The DEFINED CONTRIBUTION BUYING GUIDE

How to Select the Best Defined Contribution Health Plan Provider For Your Business
Zane Benefits is the **online alternative to group health insurance** for small and medium-sized businesses.

**The ZaneHRA Software** provides a 100% paperless administration experience to employers and insurance professionals that want to offer better health benefits without a traditional group health insurance plan at lower costs. For more information about ZaneHRA, check out our [Software](#).

**Employers** use ZaneHRA to open and manage their own stand-alone HRA or defined contribution health plan completely online, electronically enroll participants and print welcome kits, and monitor expenses and reimbursements in real-time.

**Employees** work with a designated health insurance broker to purchase their own individual health policy from a carrier of their choice (see below), submit premium and medical expenses online, via fax, or mail, and receive same-day reimbursement via check, payroll addition, or direct deposit. **Zane Benefits does not sell health insurance.**

**Insurance Professionals** partner with Zane Benefits and use ZaneHRA to provide clients with a cost-saving health benefits option. ZaneHRA is distributed by leading health insurance carriers, agencies, brokers, and accountants.

**DISCLAIMER**

The information provided herein by Zane Benefits is general in nature and should not be relied on for commercial decisions without conducting independent review and analysis and discussing alternatives with legal, accounting, and insurance advisors. Furthermore, health insurance regulations differ in each state; information provided does not apply to any specific U.S. state except where noted. See a licensed agent for detailed information on your state. [www.ZaneBenefits.com](http://www.ZaneBenefits.com).
How to Select the Best Defined Contribution Health Plan Provider for Your Small Business

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How to Use This Guide

This buying guide provides an overview of defined contribution health plans, with tools and feature comparisons to help you select the best defined contribution health plan provider for your business.

This guide is written for small and medium-sized business owners, non-profits, CEOs, CFOs, HR professionals, accountants, and anyone at your company involved in health benefit decision-making.
Introduction – What is a Defined Contribution Health Plan?

Defined Benefit vs. Defined Contribution

Rather than paying the costs to provide a specific group health plan benefit (a "defined benefit"), employers can fix their costs on a monthly basis by establishing a defined contribution health plan. Defined contribution health plans are a new alternative to employer-sponsored group health insurance plans. Defined contribution health plans by themselves are not health insurance plans.

Recruiting and retaining key employees is important to every company and a company’s health benefit program is a key part of the compensation they offer to their employees. Due to the rising costs of traditional employer-sponsored health insurance, defined contribution health plans are gaining popularity in the U.S.

Defined Contribution Health Plan 101

The general concept of a defined contribution health plan is that:

- A company gives each employee a fixed dollar amount (a "defined contribution") that the employees choose how to spend.
- Employees purchase their own individual policy directly from a health insurance company of their choice (typically, this saves the employee 25-50%).
- Employees use their defined contribution to reimburse themselves for their individual health insurance costs or other medical expenses such as doctor visits and prescription drugs.
- Defined contribution health plans are programs that allow employees to be more involved in their health care choices.

With a defined contribution health plan, both employees and employers save money.
Part 1: Defined Contribution Software

Why Use Defined Contribution Software?

**Time Savings & Ease of Use**
Good Defined Contribution Software removes the time, cost and complication of offering health benefits:

- Administer a defined contribution health plan online in less than 5 minutes per month
- Integrate a defined contribution health plan with your existing payroll or HR processes
- Manage your defined contribution health plan online 24/7

**Tax Savings & Compliance**
Defined Contribution Software keeps you in compliance with these three key areas:

<table>
<thead>
<tr>
<th>Tax Savings &amp; IRS Compliance</th>
<th>Federal Compliance</th>
<th>ACA/Health Care Reform</th>
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<tr>
<td>The IRS requires that a formal Defined Contribution health plan (with IRS-compliant plan documents) be established in order for reimbursements to be tax-free for the employer, and employees.</td>
<td>The federal government has guidelines for employers who want to contribute to employee’s IRS-qualified medical expenses:</td>
<td>The Affordable Care Act (ACA) introduced new requirements for Defined Contribution health plans including how benefit information is presented to employees (Summary of Benefits &amp; Coverage, or SBC), new reporting forms (720/5500) and new plan design requirements (ex: annual limits). Defined Contribution Software will make sure you have the appropriate documents, data and plan settings in place to be ACA compliant.</td>
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<td><strong>HIPAA</strong> (Medical Privacy): With your Defined Contribution Software provider processing employees’ claims, medical information is kept HIPAA-protected, and all receipts are stored in compliance with HIPAA for 10 years, as required by the IRS for audit purposes. As the employer, you never see your employees' medical information, or even the type of medical expense; both important for HIPAA and non-discriminatory purposes.</td>
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<td><strong>ERISA</strong>: As the employer, you are not allowed to “endorse” a specific individual health insurance plan under ERISA. Defined Contribution Software should keep you ERISA-compliant because you never know what policies are purchased, or even if they are seeking reimbursement for a health insurance premium (only that it is a qualified medical expense allowed by the plan).</td>
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Part 2: Features of Defined Contribution Software

Below is a comprehensive look at 15 features to look for with Defined Contribution Software. These features will provide you with compliance, ease of administration and full flexibility and control of your benefit.

1. Employee Allowances
The software should allow you to give employees their allowances monthly, annually, hourly (tied to payroll or wages), or at any time on an exception basis—with automatic monitoring of HIPAA and ERISA discrimination compliance rules. Deferred allowances (a waiting period) should be possible for new hires, and suspended allowances should be allowed for former employees that employers hope to re-hire on a seasonal basis.

2. Claim Submission
Employees should be able to submit claims (requests for reimbursement) online, by fax, or by mail, and immediately receive an email acknowledging their claim and providing an online link to monitor claim status. Medical receipts should be permanently available online for convenient access by employees.
3. Claim Processing
Claims should process claims within 24 hours and employees should be able to inquire about their claim via online chat, email, fax, mail or telephone. No claim should be rejected for improper or incomplete submission without multiple contacts. All employee contact should leave clear audit trails and meet appropriate regulatory guidelines (e.g. IRS, HIPAA, ERISA, SAS 70). Look for software that provides “real-time” tracking on claims, available online 24/7.

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<th>Pending Claims</th>
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<th>Approved Claims</th>
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4. Claim Reimbursement
Employees should receive email notification when their claim is approved and again confirming when (and how) it is reimbursed. Reimbursement should be administered individually or on a periodic batch basis via check, payroll addition, or direct deposit leaving a clear and permanently-available audit trail.

<table>
<thead>
<tr>
<th>Select Reimbursement Type</th>
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<tr>
<td><strong>Batch Reimbursement</strong></td>
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<tr>
<td>Recommended for reimbursing on payroll. You will be provided with a spreadsheet to send to your payroll provider. Read More</td>
</tr>
<tr>
<td><strong>Individual Reimbursement</strong></td>
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<tr>
<td>Recommended for issuing separate checks or recording special circumstances. Read More</td>
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<table>
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<tr>
<th>Account Activity Detail</th>
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<tr>
<td><strong>Allowances, Approved Claims, and Reimbursements</strong></td>
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<td><strong>Recorded On</strong></td>
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5. Employee Ledger
All employees should have access to an online ledger showing their current balance, allowances, claims, and reimbursements including permanent storage of receipts, relevant tax information, Plan Documents, and the ability to save or export their own medical information via the administration platform.

6. Integrated Electronic Plan Documents, SPD, and Employee Signature
The Plan Document and SPD (Summary Plan Description) should be electronically created, readily accessible online, and signatures should be collected electronically. Employers should be able to administer a change to benefits for any specific Class of Employees at any time and the electronic documents should automatically change and, where required, new electronic signatures should be collected when the employee is next online.
7. Classes of Employees
Employers should be able to instantly create unlimited different Classes of employees with each Class receiving different benefits by employee family status.

8. Categories of Expenses
For each Class of employees, employers should be able to specify different benefits (annual maximum, coinsurance, first dollar coverage, etc.) for each Category of Expense such as Doctor Visits, Pharmacy, Preventative Care, Maternity, Dental, etc.

9. Employee Enrollment & Termination
Employers should be able to instantly enroll or remove employees in real-time on an individual or batch basis, with automatic printing of employee welcome kits and other appropriate plan administration information.
10. Plan Setup
Employers should be able to completely set up and/or change both their defined contribution plan and their Plan Documents simultaneously online.

11. Reporting
Employers should be able to view all reimbursements by employee or by Class of employees, and monitor in real-time claim information for each Class of Employees by Category of Expense. Employees should be able to see 3-5 prior years of expenses broken down by categories of expense.
12. Tax Forms and Information
All information for required administration reporting (e.g. 5500 for employers with more than 100 employees) should be available online in real time, and non-eligible plan participants (e.g. independent contractors, owners of Sub S companies) should receive appropriate 1099 information.

13. Personal Health Insurance Distribution
Employers using Defined Contribution Software to administer pure defined contribution health plans (i.e. no group plan), or those using the plan for less expensive dependent coverage, should have their plan software automatically provide their health insurance broker a CRM (Customer Relationship Manager) to best serve their employees—including automatic notification to the broker when an employee’s HRA plan status changes due to family additions, promotions, high claims, etc.
14. HSA-Compatibility
Employees should be unilaterally allowed to make their defined contribution health plan administration HSA-compatible by requesting a higher annual deductible for traditional medical expenses while still retaining “first dollar” coverage for health insurance premiums, dental, vision, preventative care, and result of accidents. Employees should be able to turn off this feature at any time during a plan year if they need funds and no longer plan to make an HSA contribution that year, and turn HSA-Compatibility back on for subsequent years.

2013 HSA-Compatibility Deductible

You currently have no HSA-Compatibility Deductible.

- No HSA-Compatibility Deductible: $0.00
- Single Deductible: $1,250.00
- Family Deductible: $2,500.00

Submit

15. HIPAA and ERISA Compliance
The employer should be automatically protected and the plan administration made HIPAA Compliant through technology rather than the training of administering employees. For example, employers should not be able to view HIPAA-protected employee information, and plans reimbursing for personal health policy premiums should automatically follow Department of Labor HIPAA and ERISA guidelines for employers allowing insurers’ access to their employees.

HIPAA Privacy Notice

Employers are not allowed to view details of any claims except the Date Approved and Approved Amount.
Part 3: Defined Contribution Software Provider Checklist

Provider Checklist

- Do you offer paperless plan set up? How long does it take to set up the Defined Contribution plan and generate the Plan Documents? How often can I change my plan? If I change my plan, is that process paperless?

- What are the different Defined Contribution Plan design options? Can we set up different classes or allowances by type of employee?

- Are Defined Contribution Plan Documents available electronically? What happens if the plan design changes (is there an additional charge for new HRA Plan Documents?)

- Do you require pre-funding? How does the reimbursement process work? Do you integrate with our payroll system?

- How do employees submit claims for reimbursement? Is there an online option?

- How fast are claims for reimbursement processed? (Is same-day reimbursement available?)

- How are employees notified of the status of their claims (is it real-time)? What happens if claims are submitted incorrectly?

- What is your client retention rate? Do you have case studies available?

- What are your fees for service? Is there an annual renewal fee? Is there a long-term contract?

- Would we have a dedicated support person to assist our company?
Part 4: Your Role in Administering Your Defined Contribution Health Plan

Defined Contribution Software takes care of a lot. But your role is important too…

Here are three key activities you will complete to successfully implement your defined contribution health plan.

1. Educate Employees About Your Defined Contribution Plan
   - Educate and share information with employees about the plan
   - Your Defined Contribution Software administrator should provide you the implementation tools, including welcome kits, brochures and toll-free support

2. Enroll & Manage Employees
   - Enroll employees when they become eligible & send welcome kits
   - Manage enrollment, such as removing employees when they leave the company

3. Record & Issue Reimbursements
   - First, plan for reimbursements by setting up the tax-free line item in your payroll system
   - Then, use the Defined Contribution Software to record employee reimbursements
   - Issue reimbursements at payroll time (like business expenses reimbursements)

Try an HRA for Your Business

Zane Benefits Free Trial!
See first-hand how Zane Benefits’ HRA software can help you recruit & retain better employees.

Click Here For a Free Trial
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