aetna℠

REQUEST FOR PROPOSAL

Reimbursement Accounts
Flexible Spending Account Administrative Services

RESPONSE TO:

State of Alaska

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Introduction

The push toward consumerism creates the need for new tools that will help consumers navigate their increasing health care accountability, benefits education, spending account management, analytics and financial decision modeling. Our solution provides a set of unified tools that ***engage*** consumers in their health care, ***educate*** them about important health and wealth issues, and ***empower*** them to achieve mental, physical and financial well-being. Employees are empowered to access their plan information via Aetna Navigator®, our secure member website, giving them a single point of entry for both their health care and spending account details.

As part of our effort to provide leading solutions, Aetna, a pioneer in the development and growth of consumer-directed health plans, has acquired PayFlex Systems USA, Inc., one of the nation's leading account-based third-party administrators, to provide administrative services for our consumer fund services. PayFlex has been offering these services for over 25 years. When you combine Aetna with PayFlex, you get a national presence, proven experience and solid performance. By bringing the capabilities and technology from PayFlex and Aetna together, we make it easy for members to manage their health care expenses. Aetna and PayFlex together administer over two million accounts.

Reimbursement account overview

Reimbursement account administration

Our advanced technology, enabled through PayFlex's Complete Benefits Administration System (CBAS) platform, supports all health care account types. Clients have the flexibility to offer a standalone program and to add additional reimbursement accounts as needed – all while maintaining a consistent approach for your reimbursement plan members.

Description of reimbursement accounts

- ***Health care flexible Savings Account:*** Health care costs are increasing. Help your employees save money with a health care FSA. This account allows employees to pay for qualified medical expenses with pre-tax dollars.

- ***Dependent care flexible Savings Account:*** Child care is expensive. A dependent care FSA can save your employees money. This account allows employees to pay for eligible dependent day care expenses with pre-tax dollars.

- ***Limited purpose flexible spending account (LPFSA):*** Dental and vision expenses can add up quickly. An LPFSA lets employees save money on vision and dental expenses while preserving health savings account (HSA) dollars for other purposes. An LPFSA may be offered to employees who are enrolled in a high-deductible health plan with an HSA.

- ***Health reimbursement arrangement (HRA):*** Complementing high-deductible plans and retiree-paid medical premiums, an HRA allows employers the flexibility they need, while giving employees the ability to make their own financial decisions. With an HRA, it's your choice how much to fund and which account should fund first if offering alongside an FSA.

The following reimbursement account administration services are available:

- Health care and dependent care flexible savings accounts
- Health savings accounts (HSAs)
- Health reimbursement arrangements (HRAs)
- Commuter benefits
- Adoption assistance reimbursement
- Tuition assistance reimbursement
- Incentive accounts

Advantages to employees

The Financial Center

The Financial Center provides a dynamic environment to present your **reimbursement account** program to your employees. Powered by our proprietary CBAS platform, Aetna supports all reimbursement account types, for example, FSA, HRA, commuter, adoption, tuition, incentive accounts and more. Further, our integrated, **next-generation HSA solution, Aetna HealthFund® Health Savings Account (HSA),** provides clients a large variety of investment options. One platform, one debit card and one web portal with powerful financial tools, all designed to provide members with the information they need to make better informed health care financial decisions.

My Dashboard

This is the landing page for an employee to get a snapshot of their account balance, alerts, account-specific messaging and legislative news. From here, your employee is able to view the many account details, such as claims and transactions, and conduct any function needed to manage his/her account, all via the Financial Center or Dashboard.

The Benefits Center

The Benefits Center allows employees to input their health plan details, such as their group and member numbers, as well as provider information, including the provider's phone number and website. This provides the employee with access to their health plan information on the website, or they can access through the PayFlex Mobile™ application.

The PayFlex debit card

Spending made simple for your employees with less paperwork and a no out-of-pocket payment option. PayFlex auto-substantiates a majority of reimbursement debit card transactions. The CBAS platform's multi-account capability enables the card to be used for multiple reimbursement account types, such as health care and dependent care FSAs, HRA, HSA, TSA and incentives.

PayFlex Mobile application

Our powerful, free, PayFlex Mobile application provides employees with the ability to access balances, view claims processed to date, submit claims and associated documentation, view their eligibility profile and more.

Accessing member information online

Members can obtain real-time account information through the Financial Center accessible via Aetna Navigator. Current access includes:

- **My Account** – Members can view account status, claims history and payment information; manage direct deposit accounts; and even request additional debit cards.

- **Claims Submission** – The File a Claim function enables members to initiate manual claims online, including the ability to upload scanned receipts in PDF format. This eliminates the need to mail or fax claims to PayFlex for adjudication.

- **My Documents** – View correspondence, statements and Explanations of Payment (EOPs) generated by the platform.

- **My Settings** – Maintain web portal log-in information and sign up for eNotify, which enables members to select e-mail notification.

- **Frequently Asked Questions** – Detailed Q&As regarding spending accounts to answer common member questions.

- **Forms and Publications** – Access to commonly used forms and links to relevant IRS publications.

- **View Upcoming Payments** – Any claims payments projected to occur within seven days will be displayed on the member portal via the Accounts page. Members should still verify receipt of payment with their bank before withdrawing funds.

Claims administration

According to IRS regulations, all reimbursement account types, except HSAs, are subject to a third-party substantiation requirement. One of the strengths of our solution is the accuracy and efficiency of our claims processing service. Our goal is timely, accurate claims payments. Claims are adjudicated by trained claims examiners who review the incoming claims and documentation and determine whether they meet IRS and PayFlex requirements for payment. CBAS then systemically applies any remaining client-specific adjudication and account stacking rules. If a claim is denied or needs additional information, a denial Explanation of Payment (EOP) is generated and mailed/e-mailed to the member's home. If the claim is approved, it is released for payment, and an accompanying EOP is mailed/e-mailed to the member. Most claims are processed within 48 hours of receipt during normal business hours.

- **EXPRESS Claim online claims submission service** – It's incredibly simple to use! Accessible via Aetna Navigator at aetna.com, members link to their account, select "File a Claim" from the left navigation bar and follow the simple instructions to submit a claim online. In addition, we support another payment option that enables members to designate that the EXPRESS Claim payment should be directed to a provider. This "Pay Them" option is available for health care and dependent care expenses.

- **eNotify** – eNotify is our e-mail notification service. Members can sign up for the service via Aetna Navigator, our secure member website, providing single sign-on. When the member submits a claim, eNotify will automatically send the member an e-mail indicating that we received the claim and that it's been processed. EOPs and receipt request letters are also delivered electronically when members select eNotify.

- **Direct deposit of reimbursements** – We reimburse manual claims as often as every business day and can accommodate any reimbursement schedule that best fits the funding needs of your organization. Daily claims processing generally provides a 72-hour turnaround time on claims reimbursement when direct deposit is elected. Electronic funds transfers (EFTs) and paper claims checks are released at a minimum of once a week, or according to the client's preferred reimbursement funding schedule. Employees have the option of using EFTs (direct deposit) instead of payment by check. Members can now sign up for direct deposit at any time through the member portal. This added feature eases administrative burdens while increasing member satisfaction which we believe is key to increasing participation year after year.

- **Automatic payment of claims** – As an alternative to traditional claims processing, we are equipped to receive claims files from carriers for automatic payment of claims. Through the "crossover" or "autopay" process, we have established interfaces with a number of medical and dental plans through which claims are received for health care reimbursement account members. We receive and process these files, identify amounts to be reimbursed and provide reimbursement to the member via paper check, direct deposit or file to you for application to the member's paycheck. This approach to claims processing reduces the need for members to complete and submit claims for carrier-related expenses. (Please note that this feature is not available when the debit card is in place.)

Ensuring claims processing accuracy

As part of our emphasis on quality, we have developed a program through which we continually perform random claims audits to determine the efficiency and accuracy of our claims examiners. Through this program, we ensure outstanding payment accuracy on a consistent basis.

Grace period administration

We are pleased to provide an industry-leading approach to handling "grace period" claims. With the issuance of Notice 2005-42, the IRS and the Treasury relaxed the "use it or lose it" rule. Employers have the option to offer an additional 2 months and 15 days grace period following the end of the plan year in which eligible expenses may be incurred. Our approach requires no new claims forms or special handling by the member.

Employer activities

Employer funding for reimbursement accounts

Our standard funding arrangement calls for us to initiate ACH debits against a designated corporate account. With this "pay-as-you-go" approach, no pre-funding is required. On each funding day, we will notify you of the amount to be funded.

- For claims reimbursement requests, funding is according to a client-defined schedule, for example, daily, weekly, etc.
- For debit card transactions, funding is daily, based on member activity.
- For HSAs, funding is required each time a deposit is made.

We then initiate an ACH debit transaction against the designated account for the identified amount. Funds are pulled from the designated account on the next business day. Member reimbursements are then issued from our custodial cash account.

Employer reporting

The following standard reports documenting plan activity are available.

- Ledger Summary Report (monthly) – List of deposits, payments and account balances by employee account for the period and YTD.
- Election Report (beginning of plan year) – List of elections by employee account. Allows employer to verify deductions and annual elections.
- Funding Notification Reports (Settlement and Production) – Voucher-style report sent every time funding transactions are initiated.
- Production and Settlement Payment Registers – Supporting detail for the Funding Notification Report. Lists member reimbursements by account type, plan year and division. Provided for all manual, debit card and commuter claims payments.

Reports are available through the employer web portal. Reports may be viewed in PDF or CSV format (depending on the specific report) and may be printed or downloaded at your discretion. The portal also provides an online Transaction Register Calendar to assist employers in monitoring funding requirements. In addition, our **on-demand reports** capability enables employers to request specific reports across employer-defined intervals. Requested reports are then delivered to the employer portal.

Submitting reimbursement account data

For employers who wish to transmit data, we support file transmission via SFTP (using PGP encryption). We publish standard formats for the three basic files that are used:

- Open Enrollment – Sent at open enrollment, this file updates employee demographics and creates accounts and elections for the new plan year.

- Eligibility Maintenance – Sent periodically, this file updates current employee demographics and eligibility, adds new employees, and terminates employees.

- Payroll – Sent periodically with the necessary information to post payroll deductions and employer contributions to members' accounts. These can be positive or negative amounts, as needed. YTD information can also be included. Note that we can either receive ongoing payroll data information via this electronic file, or this information can be automatically posted in our system based on the pay cycle information provided at initial enrollment.

The following formats are accepted: ASCII, Comma Separated Values (CSV) (readable by Microsoft Excel). Data can also be delivered by paper or fax, and we support an online enrollment capability for members.

Compliance assistance

We have a dedicated team able to offer you assistance in drafting plan documents and Summary Plan Descriptions to help you initially establish a plan. As the IRS code is further clarified and amended, we will keep you informed of these changes, draft amendments and provide notices to keep your plan up-to-date and in compliance. Also, as part of our service, we provide some assistance in annual discrimination tests as requested.

Communications

Ongoing member communication

We have found that it is most effective to communicate member information through the member web portal. This approach ensures accurate and timely communication. Member account information is updated real time on both the interactive voice response (IVR) system and member web portal. Also, members are sent an EOP each time a claim is processed. We can also support optional quarterly statements at an additional fee.

Educating your employees and staff

The most important factor in ensuring a successful reimbursement account program is ***employee communication***. Employees need to understand the principle of using pre-tax dollars for benefits expenses and the way in which contributions and reimbursements work. Education is the key to:

- High participation
- Tax savings
- Smooth administration
- High employee satisfaction

Our educational tools are available to assist you in this process.

We provide a variety of **standard communication materials** designed specifically to educate employees and encourage participation. These include brochures, debit card inserts and expense calculation worksheets. These materials can be printed at no cost to you and will be delivered to designated, centralized client locations for distribution to your employees. Employees also have easy access to enrollment and claims forms via the web portal.

We also support a variety of customizable employee collateral, including enrollment communications and post-enrollment plan reminders. In addition, clients can opt for a customized web experience for their plan members. Additional fees may apply for these custom options.

Finally, our solution includes member materials available through the member portal. These include FAQs, quick reference guides, eligible expense listings and IRS publications.

Aetna-PayFlex service model

Our account management philosophy is to work together with you to create a stellar employer and member experience. We stress open communication and going the extra mile to ensure that your needs and the needs of your members are met. To that end, you will be assigned a specific account manager (AM) who will act as your operational point of contact for your reimbursement administration. Your AM will be responsible for the daily, operational aspects of your program and will facilitate your implementation activities.

System capabilities

We utilize our CBAS system for all reimbursement account administration. PayFlex developed CBAS in house, and it went into production in November 2006. Its features include ease of use and flexible data accessibility. It has the ability to import and export ASCII-type data files in virtually any format. This flexibility has allowed us to integrate the product with automated back-end systems to improve efficiency and consistency of daily processing.

CBAS houses all contribution and reimbursement information and also produces reports for accounting purposes. It supports all aspects of reimbursement account administration, including enrollment, account management, claims processing, customer service and billing. It is also being enhanced to support direct billing. The platform supports both a member-facing web portal and an employer-facing web portal. Standard web browsers may be used to access these portals.

CBAS is a multi-tier web application with internal and external GUI and file-based interfaces. Traditional three-tier architecture is based on the following technologies: Microsoft IIS 6, ASP/JSP/HTML, Java Servlets, JBoss Application Server, MySQL relational database. External non-web interfaces use PGP-encrypted files over FTP or SOAP over 128-bit HTTPS. The application tier currently runs on CentOS Linux and IBM LS20 blade servers. The database tier runs on CentOS Linux and IBM x3550 servers. All tiers support server clustering. The interface servers' operating system and interface software support high-availability cluster configurations. There are no single points of failure in the architecture. Internet connectivity, network connectivity (routers, switches, network interface cards) and power supplies are all redundant.

PostgreSQL in a warm standby configuration features the PostgreSQL database coupled with a distributed, in-memory clustering architecture to maximize the availability and throughput of critical data. In a database cluster, data is distributed over a group of inter-connected databases residing on multiple servers. With PostgreSQL, the databases in the cluster work as one powerful, fault-tolerant database.

Aetna Consumer Financial Solutions products are administered by PayFlex, an affiliate of Aetna Life Insurance Company (Aetna).

Health benefits and health insurance plans are offered and/or underwritten by Aetna Health Inc., Aetna Health of California Inc., Aetna Health Insurance Company of New York, Aetna Health Insurance Company and/or Aetna Life Insurance Company (Aetna). In Maryland, by Aetna Health Inc., 151 Farmington Avenue, Hartford, CT 06156. Each insurer has sole financial responsibility for its own products.

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Policy forms issued in OK include: HMO OK COC-5 09/07, HMO/OK GA-3 11/01, HMO OK POS RIDER 08/07, GR-23 and/or GR-29/GR-29N.