

Nonprofit Financial Managers

A Resource for the areas of Finance, IT, Human Resources, and Office/Facilities Management

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For information, go to npfm.org, or contact Mitzi Fennel at 617-279-2252 or Jessica Zander at 617-956-0215

Mark Your Calendars

All of our meetings take place on the last **THURSDAY** of each month. **No pre-registration required.** Upcoming dates:

- **January 30:** Best Financial Systems Integration Strategy for Nonprofits

NPFM Membership Information

The annual membership fee of \$100 covers monthly mailings and other operating expenses. The membership period is from September to August. A part-year membership for \$60 is offered for those joining after January 1, which covers membership through August. Full-time students are welcome to join at any time without paying a fee.

In addition to attendance at monthly meetings, members receive a monthly newsletter and access to the NPFM e-mail forum. Lunch is provided for all attendees at meetings. There is a \$20 meeting fee for non-members, and since membership is by organization, there is no limit of individuals from any one organization who may attend the meetings.

RSVPs for the meetings are not required.

For renewals or new membership fees, please make your check out to:

NonProfit Financial Managers
c/o Health Resources in Action
95 Berkeley Street
Boston, MA 02116

Contact Mitzi Fennel at 617-279-2252 for more information.

The Next Meeting

Topic: Financial Controls in an Electronic Age—Tips and Warnings

Date: Thursday, December 5, 2013

Location: United South End Settlements
566 Columbus Ave., Boston

Time: 12:00 PM – 1:30 PM

Nonprofits are continually pushed to do more with less. Technology has helped nonprofits keep up with these demands as it has enabled processes and procedures that create increased efficiency and effectiveness. However, the day-to-day processing of invoices and managing of receipts and authorizations in this digital environment require controls to limit risk when so much is easily reproducible, editable, etc.

Join us to hear some practices Insource uses in its work acting as the finance and accounting department for numerous nonprofit organizations, as well as some best practices Insource staff has observed at both nonprofit organizations and for profit companies. And, take note of a few “frightening” examples of what hasn’t worked and why.

Recap of October Meeting

HRAs/HSAs/FSAs/MERPs—What are They, How are They Changing and Why do we Need Them? And what do Your Employees Think of Them?

Celia Mercer, Account Executive and Benefits professional with Group Dynamic, Inc., the national TPA firm founded in 1989, gave a presentation about health insurance benefit packages, particularly FSAs, HRAs, and HSAs. Creating a

benefit package that is financially sound for the organization, and provides maximum coverage and out-of-pocket savings for employees can be challenging. HRAs/MERPs/ HSAs/FSAs and Limited Purpose FSAs can provide solutions to these challenges. During the presentation, Celia focused on the following questions: How do you decide which to offer, how to structure them, and if more than one, what is the best combination? How is Health Care Reform impacting these benefit offerings? What are the rules you now need to know? And finally, how much will it cost? Laura DeGregorio and M. Dennis Guappone from the benefits brokerage firm United Benefit assisted with the presentation.

The goal of an organization's health benefits plan should be to protect the employee from high risk expenses while minimizing the cost to the employer. Medical plan options include HMO plans which limit the subscriber to a specific network of doctors and hospitals; and PPOs, which allow access to providers and hospitals of choice. Both plans can be designed with a deductible expense provision, which might include such expenses as hospital-billed services, high tech diagnostics, lab and X-ray, physical therapy, etc. Employee health insurance payments can be pre-tax provided that the employer has adopted a compliant cafeteria plan. A cafeteria plan is a separate written plan maintained by an employer for employees that meets the specific requirements of and regulations of section 125 of the Internal Revenue Code. It provides participants an opportunity to receive certain benefits on a pretax basis. Participants in a cafeteria plan must be permitted to choose among at least one taxable benefit (such as cash) and one qualified benefit. All of the benefit that are described here are subject to the 125 plan.

Flexible Savings Accounts (FSA) allow employees to save money on a pretax basis to pay for medical or dependent care expenses (such as daycare). Advantages to the employee of enrolling in an FSA are: it is pretax; easy payroll deductions; possible use of a convenient debit card for the covered expenses; you don't need to be enrolled in the employer's medical plan, and some others provisions. However, usually the

employee has to "use it or lose it" within the plan year and the employee still needs to keep receipts for tax purposes. For the employer, it cuts down on FICA payments and employers are the beneficiary of any forfeited funds. On October 31, 2013, the IRS issued Notice 2013-71. The new ruling loosens the "Use It Or Lose It" rule for Medical FSAs, providing for a partial rollover of unused balances. **Here is what you need to know:** Employers may choose to amend their Medical FSA plan to allow participants to rollover up to, but not more than \$500 from one plan year to the next; the rollover provision cannot be included in Medical FSA plans that offer a grace period. Employers may choose either a grace period or a rollover or neither; and the ruling does not impact the current \$2,500 annual salary reduction limit for participants in a Medical FSA. There are several other provisions as well.

The HRA (Health Reimbursement Arrangement) is an employer-sponsored and funded limited benefit health plan that reimburses tax free out-of-pocket expenses defined by the employer, such as partial or full reimbursement for the deductible part of the health plan. Some benefits of HRA's for the employee are that it is a free benefit which pays for certain health care expenses and often it provides relief from bearing the full burden of deductible expenses. For the employer, it promotes a great acceptance of high deductible health insurance plans (which results in lower premiums) by employees and sends the message that the employer cares about the employee and their health care expense burden. The use of HRAs by the employer is essentially a form of self-insurance. To see if it makes sense, compare the maximum employer borne expense (such as paying a portion or all of the deductible) under the HRA plan to the potential savings from the reduced premiums of a high deductible plan. Generally, employees as a group do not use the maximum HRA benefit and the employer realizes about a 15% savings by adopting an HRA plan. Another benefit of the employer going to a high deductible plan with partial HRA reimbursement is that it puts more of the responsibility for evaluating health care needs on the employee and may change employ-

ee behavior regarding how they use the medical system and how they engage in risky behaviors.

If funds are low for the employer, then adopting a Health Savings Account (HSA) plan instead of an HRA might be the way to go. The HSA allows employees to save money on a pretax and post-tax basis for medical, dental, and vision expenses not covered by insurance. The employee owns the account, even if employment is terminated; the employee is responsible for spending the funds on eligible items; funds roll over from year to year; debit cards are available; and some other provisions apply. Funds can be contributed pre-tax via payroll deduction, post tax, or by the employer. Employees must be enrolled in a qualified high deductible health plan to be HSA eligible. The HSA plan allows employees to build a financial asset with pre-tax, post-tax, and employer funded non-taxable contributions and employees can adjust their contribution level as needed during the plan. And finally, for all of these options, keep in mind that the employer is ultimately responsible legally for them even if you have contracted with a 3rd party administrator to implement and operate them.

Job Openings...

The NPFM group has a section on their website for job postings. Check out our website at www.npfm.org for a complete list of jobs. Contact David Richardson at dr44@verizon.net with questions or postings.

NPFM E-mail Forum

One of the benefits of membership in NPFM is a subscription to our e-mail listserv. We encourage members to post questions, announcements and new developments in finance and administration. All new members who provide e-mail addresses are automatically subscribed. To post messages send to npfm-boston@googlegroups.com. If your membership is current and you do not have access to the listserv, please contact Karen Kelley Gill, at kgill@cedac.org.

NPFM Steering Committee

The Steering Committee consists of several members who are responsible for the meeting topics, speakers, and other details surrounding the group. If you are interested in joining the steering committee, or in submitting

ideas for future sessions, please contact any of the existing members, by email or in person at a meeting.