



# NEWS

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Contact: Benjamin Lewis  
Perception, Inc.  
301-963-7555

## DataPath Introduces *myResourceCard*<sup>™</sup>

Little Rock, AR (August 13, 2003) –DataPath, Inc. Today announced the release of an innovative, “second-generation” employee benefits card platform, *myResourceCard*<sup>™</sup>, featuring a MasterCard branded Employee Credit Card. Designed to reduce the time and expense of employee benefit administration, *myResourceCard*<sup>™</sup> manages transactions for employee Flexible Spending Accounts (FSA) and Health Reimbursement Accounts (HRA) at the point of sale. However, as a *credit card*, *myResourceCard*<sup>™</sup> is significantly different from competing *debit card* programs currently on the market.

DataPath’s founder, John Robbins, explained the decision for a credit card model this way, “We’ve provided benefit administration solutions for more than 20 years now and are well acquainted with the disadvantages inherent with debit cards. Our second-generation employee credit card eliminates many of the IRS compliance and operational problems associated with debit cards. We’re convinced that plan administrators and employers will appreciate the simplicity and efficiency of *myResourceCard*<sup>™</sup> in managing FSA and HRA employee benefits.”

While electronic payment cards for Flexible Spending Accounts have been available for several years, the *first generation* approach has faced a number of obstacles. These “debit cards” require employers to “pre-fund” accounts and puts the payment liability on the benefit plan(s). Not only does this approach negatively impact the employer flexibility in managing cash flow, but it places an additional responsibility on the employer to “Pay and then Chase” funds or documents from the employee in the case of unsubstantiated or denied claims.

With debit cards, the full amount of the employee’s annual election is “funded” during the year to support the employee debit card transactions. In each transaction, the funds are paid and removed from the employer bank account **before the plan administrator reviews the claim for reimbursement.** In the case of unsubstantiated or disallowed claims, the employer must *chase* either the proper documents or the employee funds to reimburse the plan.

As explained by DataPath, under the *myResourceCard*<sup>™</sup> system, employees are provided with a restricted line of revolving credit independent of their annual elections and managed as an *employee liability* for repayment. Submitted claims approved by the plan administrator, after the transaction, are reimbursed directly to the consumer’s credit card account. If the claim is unsubstantiated by the employee or disallowed, the credit card charge remains as an obligation of the employee for repayment.

Through the DataPath software, employees can take advantage of the new IRS rules for “auto-substantiation” of claims and reduce the paperwork associated with claim processing. The IRS has specific rules for “auto-substantiation”, and *myResourceCard*<sup>™</sup> is one of the few systems to meet these requirements reliably and seamlessly. On this platform, DataPath is able to achieve 100% compliance with the recently released IRS rules.

In a recent article, industry expert John Hickman, Esq. (Alston & Bird, LLP) comments, "...Moreover, with some of the debit card constructs we have seen, serious compliance concerns may arise under HIPAA's EDI and ERISA's plan asset requirements. ... Electronic payment cards can come in the form of a debit card (or "stored value card") or credit card. While the cards look alike, the differences in legal compliance may be significant." In summarizing elements of a compliant electronic payment card system Hickman goes on to point out that, "...the participant should be directed by the Plan to obtain and retain all necessary documentation to substantiate the claim at the time a transaction is completed. If inadequate substantiation is provided, then the employer must have procedures to "pay and chase" the previously paid claim."

Since the employee credit card model keeps the employee liability separate from that of the employer, it appears that *myResourceCard™* has provided an effective way to reduce the employer liability for the IRS required "pay and chase" procedures.

DataPath's announcement highlighted the following advantages to plan sponsors and administrators.

### **Increase Employee Participation**

*myResourceCard™* eliminates the hassle of pre-paying expenses out of pocket and waiting for reimbursements. Results have shown that enrollments can increase 25% to 50% by offering an employee bank card. Employers can save at least 7.65% in payroll tax for every employee dollar contributed to a Flexible Savings Account plan. Higher *participation* and more *contributions* generate more savings. *myResourceCard™* also makes it easy to take advantage of new IRS rules that permit over the counter (OTC) medical purchases from the employee's flexible spending account.

### **Eliminate "Pay and Chase"**

Debit cards directly link payments to the FSA account. Debit card transactions move money out of the *plan* and force the administrator to recover funds from the employee for disallowed claims. This "pay and chase" requirement of debit cards can significantly increase the cost of administration. *myResourceCard™* eliminates "pay and chase" since disallowed claims remain the as the employee's payment responsibility to the bank.

### **Avoid the required reconciliation between debit card balances and FSA elections**

Debit cards require ongoing reconciliation between the card balance and remaining FSA balance. Overpayments or insufficient funding create unnecessary administrative complexity between the source of record and the related debit account. With *myResourceCard™*, reimbursements are made from the FSA to the employee credit card *after* adjudication. Reconciliation is simple and the administrative cost is reduced.

*myResourceCard™* solution is available under a limited release schedule during the remainder of 2003 with a full release after the first of the year. For more information on *myResourceCard™*, contact DataPath at [sales@dpath.com](mailto:sales@dpath.com) or call (501) 296-9990.

### **ABOUT DATAPATH**

DataPath, founded in 1984, is a management-owned, privately held company based in Little Rock, Arkansas, and produces software solutions for administering employee benefit plans. Clients include employers, outsourcing benefit consultants, and plan service providers.

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