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New benefits credit card takes pain out of claims

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A credit card-style product and its new spinoff are expected to help Benefit Resource Inc. grow revenues and staff up to 50 percent a year for the next five years, company officials say.

Benefit Resource, on Brighton-Henrietta Town Line Road, offers pretax benefits management services for companies that offer flexible spending accounts to employees.

The accounts, also called cafeteria plans, have been allowed by the Internal Revenue Service since the 1980s to help workers cover various expenses, including vision, dental, medications, day care and transportation costs.

The firm was founded in 1993 by Anthony DiBarnaba, president, and Thomas Guiler, vice president. The duo owned another small payroll firm, which included a pretax plan offering. They sold the firm in 1991 to Automatic Data Processing Inc., one of Paychex Inc.'s major national competitors.

"We had 6,000 clients at the time," DiBarnaba said. "They really wanted our client list, but not our products."

DiBarnaba and Guiler worked for ADP for a year, primarily training ADP staff on pretax benefits administration. They saw a market just in pretax administration and created the new company to focus solely on that niche market.

Benefit Resource has grown from the two owners and no clients in 1993 to 50 employees and 1,000 clients. The company has sales representatives in Upstate New York, New York City, Chicago, Boston and Philadelphia.

To handle the expected growth, Benefit Resource recently added a chief financial officer, Charles Callahan. He is former vice president of finance and CFO for World of Science Inc.

Although the private firm does not reveal revenue figures, sales grew 40 percent in 2004. Revenues should grow as much or more this year, DiBarnaba said.

One of the biggest drivers for the firm's expansion was the 1998 creation of the eTrac card, a partnership among Benefit Resource, MasterCard International Inc. and M&T Bank Corp. The card can be used



Photo courtesy of Benefit Resource Inc.

Anthony DiBarnaba

by employees to pay for qualified pretax transportation and parking expenses.

For example, workers who put money into a pretax spending account can swipe the card to take the bus or train to and from work or to park in a lot or garage near work.

The card has a magnetic stripe programmed to know if it is being used for the correct purpose. With the card, anyone who uses a pretax spending account for transportation costs can use it to pay the cost directly, rather than submitting forms post-expense.

"Everyone likes this idea. They hate to keep receipts and fill out claim forms," DiBarnaba said. "It really sparked growth for the company."

In early 2006, the company plans to make the eFlex MasterCard, which has been accessible as a trial to some clients, available to all its customers. The card can be used to pay for all qualified pretax expenses, including physician and pharmacy co-pays and dependent care expenses.

DiBarnaba sees nothing but expansion in the firm's future. The company likely will see 40 percent to 50 percent growth in revenues and employees every year for at least the next three to five years, he said.

"We have growth opportunities in both new business and repetitive business," DiBarnaba said.

Even if Benefit Resource just held on to its current clients, there is room to expand revenues, he said. Currently, only 27 percent of clients' employees use flexible spending accounts and related offerings.

"We could nearly double our business if we just educated the employees of existing clients and brought that 27 percent up to 50 percent," he said.

The card could become a gold mine for the company, as more employees turn to pretax dollars to pay higher costs for such things as co-pays and prescriptions. For example, the Employee Benefit Research Institute in Washington, D.C., says prescription drug costs are the fastest-rising piece in the medical expenditure pie. Medications accounted for nearly 17 percent of the total increase in health care spending in 2001, the institute's research says.

In addition, the health care industry's move to consumer-driven plans means higher co-pays, DiBarnaba said.

"When it was a \$5 co-pay, people weren't as likely to want to keep track and use a pretax account," he said. "But at \$20 and \$30, it becomes real money."

One hesitation people have had about pretax spending accounts is that cash left in them at the end of the fiscal year does not roll over into the next year. But Congress is considering legislation allowing a \$500 rollover, which would go a long way to soothing employees' fears about the use-it-or-lose-it nature of the accounts, DiBarnaba said.

Catholic Charities Community Services has used Benefits Resource since the company began. The agency has some 250 employees, with 150 of them full-time staff.

Catholic Charities workers value Benefit Resource's services, said Barbara Poling, the agency's human resources director.

"They are excellent to work with," she said. "Employees appreciate the company's simplicity."

Benefit Resource has no national competition, DiBarnaba said. Most market battles come from small to midsize regional firms who offer pretax service along with myriad other services.

"We specialize in this and we do it well," he said.

DiBarnaba said his firm had only a 3 percent loss in its client base last year.

Other firms, including larger firms such as ADP or Paychex, can see up to 20 percent client loss annually.

“They have to sell at least that much just to get to where they were,” he said. “We have great customer service. With

that, and our products, we can hockey stick up the ladder.”

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