

Health Reimbursement Arrangement

Comprehensive HRA

Limited HRA

Insurance Premium Reimbursement HRA

Complete Payroll Solutions ●●●

Health Reimbursement Arrangement

What is a Health Reimbursement Arrangement (HRA)?

HRAs go by many names, such as personal care accounts or consumer-driven health care plans. Whatever label you give them, HRAs allow an employer to fund an account to pay employees' healthcare expenses that are not covered by insurance.

An HRA account may pay any or all of the same expenses as a Section 125 Health Flexible Spending Account (FSA). Unlike an FSA, only employers can make contributions to an HRA.

What benefits can an employer include in an HRA Plan?

Expenses not covered by health insurance. Typical expenses include insurance co-pays and deductibles, medical exams, vision expenses, dental care, mental healthcare, chiropractic services, and prescription drugs. Over-the-counter drugs that are medically necessary, like allergy medications or aspirin, may also be paid through your plan. You may also

limit the types of expenses paid through the plan. For example, your plan can exclude big-ticket items like orthodontia and LASIK eye surgery.

Insurance premiums. Health insurance provided by the employer, individually owned policy premiums, or long-term care insurance premiums may be paid from the HRA plan.

What happens to the money that an employer puts into the HRA?

Once you establish an HRA, the plan pays for eligible expenses incurred by participants. Unlike an FSA, there is no requirement that the entire annual allocation be available on the first day of the plan year. HRA funds can be made available all at once or in equal portions throughout the year. It's your option. This means no surprises and no big hits to your checkbook.

You can even allow employees to carry over unused dollars to the next year, or have unused balances forfeited at the end of each year.

How an HRA Works With an FSA Plan

You might be asking – Why would I need both an FSA and an HRA? It's simple – more employee choice and bigger savings.

Since the IRS permits only employers to contribute to an HRA, most employees will also need an FSA if they want to save on expenses that insurance doesn't cover. Once size does not "fit all." Let's look at an example.

An employer sets up an HRA and makes annual contributions of \$1,000 per employee. The HRA is coupled with a higher-deductible (\$1,500) group insurance plan.

Employee A estimates his medical expenses for the year at \$3,500. This includes such items as glasses and contact lenses that are not covered by the group health plan.

With only \$1,000 available through the employer-funded HRA, this employee would have to pay at least \$2,500 of medical expenses out of his or her own pocket.

With a health FSA the employee could set aside \$2,500 through pre-tax payroll deductions to pay healthcare expenses and the employer would pay \$1,000 of medical expenses through the HRA plan.

Medical Expenses	Annual Expenses	FSA Reimbursement	HRA Reimbursement
Co-pays	\$ 300	\$ 300	
Deductible	\$ 1,500	\$ 500	\$ 1,000
Glasses	\$ 500	\$ 500	
Orthodontics	\$ 1,200	\$ 1,200	
Totals	\$ 3,500	\$ 2,500	\$ 1,000

Savings for You and Your Employees

How the Plan Works for You

HRAs mean savings for you and more options for your employees.

1 Premium savings. By combining a higher-deductible insurance plan with an HRA plan, you can cut the cost of providing healthcare benefits to your employees.

2 Better benefits at a lower cost. You can choose a limited HRA to pay for items that your health plan does not cover. For instance, the expenses paid by one HRA could be limited to only prescriptions, while a second or third HRA account could pay for dental and/or vision expenses.

3 Rollover options for amounts not used. Employees cannot contribute to the HRA (only employers). So, if your employees don't use all of the money in their individual HRA accounts, you get it back. Or, you can design an HRA that allows a portion or all of an employee's unused funds to roll over to the next year. You can even opt to let employees roll over funds and use them for healthcare expenses during retirement. The decision is yours.

4 Save more payroll taxes. If you offer an FSA along with an HRA, it's more likely that employees will elect to contribute to their FSA and save you even more payroll taxes.

5 More valued by employees. Your employees will appreciate the choice, flexibility, and security provided by an HRA. An HRA also makes your employee benefit program a more valuable recruiting tool.

How the Plan Benefits Your Employees

Your employees will save money and enjoy more freedom and flexibility with their healthcare dollars.

1 Lower insurance premiums. The most common approach with an HRA is to offer it alongside a "higher" deductible health plan. Then, when an employee incurs expenses that the health plan doesn't cover, the HRA is there to pay that expense. You will enjoy the lower premiums that go with high-deductible plans. And, if your employees share in the cost of health insurance, they will save, too.

2 Extra money for out-of-pocket healthcare expenses. Employees have their HRA, which is a "side" fund that pays for healthcare expenses that are not covered by insurance. If they don't use it, they won't have to lose it. That's because the plan can be designed so employees can carry unused balances into the future.

3 Freedom to choose. Employees decide where and when to spend their HRA dollars. They are free to choose providers and shop for the best prices. For example, the employee (not the plan) decides whether to select generic or name brand drugs.

4 Bigger tax savings. Like an FSA, the amounts paid out of the HRA are tax free. Employees can also elect to contribute to an FSA if your HRA contributions aren't enough to pay all of the expenses that insurance doesn't cover.

5 Convenience. The take care® Visa® flex benefits card allows participants to pay qualified expenses directly from their HRA and/or FSA accounts. With the card, employees don't have to reach into their pocket to pay qualified expenses and then wait for reimbursement from the plan.



HRA Plan Design Options

Whichever plan design you choose, HRAs are funded by the employer each payroll cycle.

- **Comprehensive.** The Comprehensive Plan pays all medical expenses that are not covered by insurance. These expenses include, but are not limited to, dental and vision fees, chiropractic services, co-pays, deductibles, and insurance premiums. Over-the-counter drugs may also be paid through your plan. This plan could be coupled with a higher-deductible or limited-coverage insurance arrangement or as a stand-alone employee benefit.

- **Limited.** A limited HRA covers only a group of expenses, such as dental or vision. It can also be restricted to a single medical expense, such as medical deductibles and prescriptions.
- **Insurance Only.** The Insurance Only Plan allows employees to pay for employer-provided insurance coverage, individually owned health insurance policies, or long-term care insurance policies.

Who Can Sponsor an HRA Plan?

Regular corporations, partnerships, S corporations, limited liability companies (LLCs), sole proprietors, professional corporations, and not-for-profits can all save money on taxes by establishing an HRA plan.

While Regulations prohibit a sole proprietor, partner, members of an LLC (in most cases), or individuals owning more than 2% of an S corporation from participating in the HRA plan, they may still sponsor a plan and benefit from the savings on payroll taxes. “Employee” shareholders of regular corporations may also participate.

Important Information

- The plan must be in writing and a Summary Plan Description must be distributed to each plan participant.
- COBRA continuation forms must be provided to participants in the HRA who incur COBRA qualifying events.
- Insurance products with a return-of-premium feature cannot be paid for with HRA funds.
- The plan may not discriminate in favor of highly compensated employees.
- Employers are required to pay eligible healthcare expenses only to the extent of an individual’s account balance.
- Generally, employers maintaining HRA plans that cover more than 100 participants must file an IRS Form 5500 each year.
- HRAs can be restricted to cover only certain benefits, like prescriptions, or co-pays and deductibles.
- Eligible expenses must be incurred during the participant’s period of coverage, but may be paid at a future date. This is a plan design feature.
- The HRA cannot be “cashed out” upon an employee’s termination or retirement.
- Plan design options are flexible. HRAs may be designed to either roll unused balances forward from one year to the next, or forfeit them to the employer at the end of the coverage period. The plan may, but is not required to, cover terminated or retired employees.

Plan Design and Administration

Plan setup and ongoing administration is easy with our turnkey service.

- 1 Plan Consulting. Upon receiving your application, a plan specialist will contact you about plan options.
- 2 Plan Setup. The setup kit includes “signature-ready” custom plan documents and forms, and a checklist for plan implementation. For existing plans, the service also includes a plan review and amendment, if needed.
- 3 Employee Account Management. Daily services include account balance tracking and claims adjudication.

4 Participant Assistance. Employees have 24-hour access to their accounts at MyFlexOnline.com, 800-line interactive voice response, and daytime access to our toll-free call center. Employee statements are included on claim payment stubs and on demand.

5 Annual Plan Compliance. Services include reconciliation and reporting of employee account balances, plus compliance with discrimination testing requirements. A “signature-ready” IRS Form 5500 and any plan amendments are provided, if necessary.

How to Get Started

Call 877-253-9020

Simply complete the HRA Plan Application and we take care of the rest.

You can start an HRA at any time. Plus, you can have a short coverage period to coordinate your HRA with other benefits. The coverage period can coincide with either your fiscal year, calendar year, or health plan – the choice is yours.

To set up your plan, call us at 877-253-9020 or complete the HRA Application and fax or mail it to:

Complete Payroll Solutions
One Carando Drive, Suite 1,
Springfield, MA 01104 Fax: 413-736-2800



Complete Payroll Solutions

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