NATIONAL BENEFIT SERVICES, LLC

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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.

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.

HRA Plan Design Options

- **Bridge**: The Bridge Plan compliments a higher-deductible insurance product. It pays only for deductible items covered by insurance and provides a "bridge" between out-of-pocket expenses and insurance coverage.
- **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 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 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.

For additional information or to request a quote, contact:

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