HRA requires NO specific Health plan
HSA does have a rqmnt of a High Ded. Health plan

HRAs

The Rules and
How to Design Them

Presented by
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Can do an HRA for dental only!

Why an HRA???

- Lower the premium for the employer
- Avoid premium increase to the employees at renewal
- Soften the out of pocket increase to the employee
- Allows for greater control of the dollars by the employer
- Limited regulations on the design and no health plan requirements

Current Industry Focus

- Employer changes health plan to incorporate higher employee "out of pocket" expenses
  - Deductibles
  - Rx copays
  - Office Copays
- Establish HRA to fund all or a portion of the increase
- Funding of the HRA comes from the premium savings

Need copy of this spdsheet

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Health Reimbursement Account
Cost/Savings Analysis for

20-40% is the normal utilization of HRA

Dental 5/13 included

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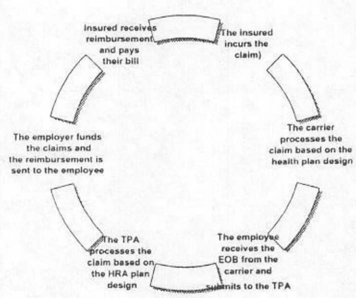
HOW THE HRA WORKS



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Tips for Designing HRAs

- Keep them simple.
- Employees need to understand how they work
- Don't get too minute to match the old plan
- Use "categories" of expenses
  - Deductible
  - Coinsurance
  - Rx Copay
  - Office Copay
  - Dental ✓
  - Vision ✓
  - All section 213

Our dental plan is illegal

Tips for Designing HRAs

- Make sure it can be "administered"
- Will the documentation (EOB) tell the TPA what to reimburse?
- Make time for quality employee meetings

HRAs Rules:

- HRAs are 100% employer funded
- No indirect funding of the HRA
- Cannot be set-up on a discriminatory basis
- Can only reimburse for qualified medical expenses including premiums
- Eligibility requirements - you control
- COBRA Eligible determined

- Not funded until needed
- Only budget 40-60% of total possible utilization

HOW IS THE PLAN FUNDED?

- The Plan is an "unfunded" plan meaning that the funds do not belong to the employee and claims are paid from the employer's general assets.
- Monies are not required to be in a trust or set aside in a separate account.
- The employer makes the money available for reimbursement as the claims are submitted by the employees ("pay as you go")
- The employer can set the money aside it they wish

Example of Employee Indirect Funding

- The employer offers two health plans which are identical on coverage
- Plan A has no HRA and the employees pay 30% of the premium
- Plan B has an HRA attached to it and the employee pays 40% of the premium

Another Example of Indirect Funding

- The employer offers three health plans
- All the base plans are identical
- Plan A has no HRA, Plan B has a $500 HRA and plan C has a $1000 HRA
- Of the plans, Plan A is the lowest cost Plan B cost more and Plan C is the highest cost to the employee

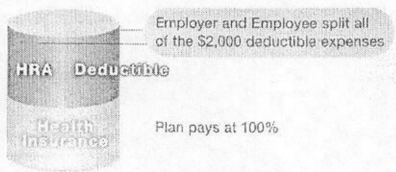
ELIGIBLE EXPENSES

- An HRA may only reimburse expenses for:
  - medical care as defined in Code Section 213(d)
  - premiums for accident or health insurance coverage for employees, retirees and COBRA qualified beneficiaries
  - an HRA may not reimburse expenses incurred before the HRA was in existence, or expenses incurred before the employee's date of enrollment in the HRA

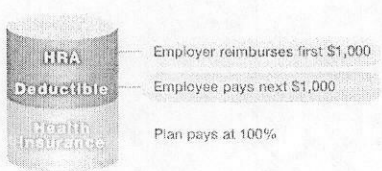
Deductible discussion

- Individual or Aggregate
- Is the family deductible a true full aggregate or does the individual member stop at the individual deductible level and the family combines to the family total?
- Critical in order to set-up the plan correctly
- Why?

1 Tier Plan Design
sharing of expenses



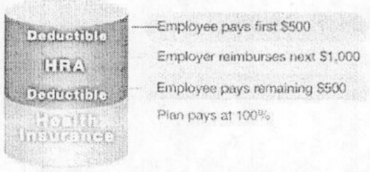
2 Tier Plan Design
Employee or Employer pays first



most common!

3,4 Tier Design

Employee or Employer pays middle portion



PLAN DESIGN OPTIONS

- The employer has flexibility in determining the design of the HRA including:
  - Contribution Levels
  - Types of expenses allowable through the plan
  - Roll over and accumulation options
  - Eligibility requirements
  - Prorate? (is deductible prorated?)
  - Reimbursement Payout (immediate, monthly, quarterly)

TO ROLLOVER OR NOT?

- Because an HRA is paid for solely by the employer and not by the employee, the carryover of unused amounts from year to year is permitted Rollovers are part of a growing trend to shift choices for healthcare to employees ("Consumer Driven Healthcare").
- Plan may be designed to cap the amount that may be carried forward or the total amount that can be accumulated in the HRA.
- Rollovers are applied to any employee out of pocket claims (example)
- Rollovers provide incentive to employees to save their health care dollars for a rainy day.
- Managing accumulated HRA dollars will force employees to become educated health consumers.
- Since the plan is unfunded a large liability may arise with large employee balances

add a "Sundown" period that says you must use w/in 5 years

Creative Rollover options

- Newest trend is toward "Spend Down" accounts
- Employees who leave/retiree will have their HRA monies available to them for expenses incurred after the leave
- Employers can open the plan up to allow for any 213 expense including retiree premiums
- Incentive to be a consumer of health care and accumulate dollars for retirement
- Seeing more in the public sector/unions

Creative Rollover options

- "Spend Down" options
  - Who qualifies
  - Time frame for availability: 1,2,5 years or until $0 left
  - Percentage of HRA dollars into spend down based on years of services (Vested HRA)
  - What expenses are eligible

HRA Challenges

- From a TPAs perspective, it is difficult if not impossible to administer some HRAs
- We are restricted by what EOBs tell us and the underlying health plan design
- In many cases the employees, employer and broker are not happy with the results
- Pay the provider?

Examples of challenging HRAs

- Reimburse for Wellness since the PPO does not cover out of network wellness
  - Define what benefits are "wellness"
  - How do we know from the EOB if the claim is wellness
- Add an office copay of $10 on claims since we now have a HDHP
  - How do we know from an EOB what is and is not an "office visit".
  - EOBs break the claim apart into office, lab, x-ray, etc

Examples of challenging HRAs

- Reimburse in network Deductible or Coins at one level and out-of-network at another level
  - Example: $2000 deductible in and $4000 out. Reimburse the in-network at $1000 EE and $1000 HRA. Reimburse out at $2500 EE and $1500 HRA
  - Some EOBs do not categorize in vs. out of network in the deductible. They may on the accumulator ion the bottom but you would need the past EOBs to tell if it is in or Out
  - How much do I enroll the employee for in the HRA? Will they go in or out or both? (ex. $1000, $1500 or $2500 HRA)
  - Some carriers give in network credit if you go out and others have two distinct deductibles

Examples of challenging HRAs

- Reimburse single deductible one way and the family deductible another
  - Example: $2000 single and $4000 family
  - They want the single reimbursed $1,000/$1000
  - They want the family reimbursed $1500/$2500
  - Issues:
    - Rule #1: the HRA needs to have the same ratio as the deductible unless it is an aggregate deductible
    - If the deductible is 2:1 then the HRA is 2:1, especially if the deductible is an individual with a family aggregate

Examples of challenging HRAs

- Too Many Tiers
  - EBC does maximum of four tiers
  - Real example. $4000 deductible with $100 alternating HRA and employee. That is 40 tiers
  - How will the employee understand and monitor what is reimbursable

What to look for in a TPA

- Are they processing claims manually
  - If they claim they can do "any" HRA they most likely are
- Can they track the dependents for the individual deductible (critical)
- What reporting can they provide participants and employers
- Do they checks contain info to help the participant track the reimbursement to the expense and provider?
- What communication materials do they provide

DEBIT CARDS

- Due to card technology these systems will only work if:
  - The HRA plan reimburses first dollar at 100%.
  - If the plan is a deductible only plan than all expenses must roll into the deductible. (when does an employee pay the provider for deductible and use the card?)
  - But the card cannot tell if you are swiping for "deducible"
  - Must be an aggregate HRA design
  - Expenses can be excluded by turning of the Merchant Codes. i.e. vision, dental, Rx

Questions????