

STEPS FOR PARTICIPATION IN THE PLAN

1. Employee incurs an eligible expense.
2. Employee submits the claim by filing a reimbursement form along with a copy of the EOB or appropriate bill/receipt. (Based on plan design.)
3. Claim is reviewed for eligibility by Benefits Design Group, Inc. staff.
4. Employee is reimbursed for eligible expenses based upon a pre-determined schedule.

WE MAKE PARTICIPATION SIMPLE!

- Knowledgeable staff available to answer questions regarding your Health Reimbursement Account (HRA).
- Toll-free customer service assistance provides:
 - a. Assistance with claim filing
 - b. Assistance with reimbursement
 - c. Current account information
- All forms necessary for participation, reimbursements and adjustments to your account.
- Account summary statements per reimbursement.
- Reimbursements as scheduled.
- Internet access to account information.
- Automatic transfer* of eligible claims between HRA and FSA Plans.

*Restrictions apply.

WHO IS BENEFITS DESIGN GROUP INC.?

- Benefits Design Group, Inc. (BDG) is a Third Party Administrator (TPA) of tax deductible employee benefit plans.
- Our corporate headquarters and administrative center are located in Onalaska, WI with marketing support in Minneapolis, MN, as well as, Wausau and Onalaska, WI.
- BDG began designing employee benefit programs in June, 1987.
- Currently, we assist over 1200 employers nationwide, ranging in size from 2 to over 5,000 Employees.
- Our Focus - design, implementation, and administration of Flexible Benefit Plans, Health Reimbursement Arrangements, and COBRA administration.

Our advantages:

- Certified in Flexible Compensation Instruction (CFCI).
- Internet access for employee inquiries, information, and account balances.
- Expertise on plan design and administration.
- Flexibility of service options.
- Quarterly Newsletter.

BENEFITS DESIGN GROUP, INC.

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*Find out how to
stretch your employee
benefit dollars through...*

HEALTH REIMBURSEMENT ARRANGEMENTS (HRA) (I.R.C. SECTION 105)

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WHAT IS A HEALTH REIMBURSEMENT ARRANGEMENT?(HRA)

- Internal Revenue Code Section 105
 - ✓ 100% Employer funded Medical Reimbursement Plan.
 - ✓ May permit (not required) carryovers of unused amounts and/or spend down of unused balances at termination.
 - ✓ Also may be known as 105 plans, MERPS, Personal Care Accounts, etc.
 - ✓ All Section 213 expenses (health, dental, and vision) may be eligible for reimbursement, however the employer may limit the HRA to certain expenses or certain categories.
 - ✓ Expenses must be substantiated to qualify for reimbursement and unused amounts cannot be converted to cash.
 - ✓ HRAs are considered group health plans subject to COBRA and Form 5500 Filing.

WHY HAVE A HRA?

- Lower overall premium cost by opting for a higher deductible health plan.
- Consumer driven health care concept. Employees may become more cost conscious.
- Flexibility of providing medical benefits on a tax-free basis with carryovers and spend downs.
- Retiree medical benefits.
- Employers can write off the cost of HRA reimbursement expenses as employee benefit expenses.
- Plan may be designed to be more flexible than insurance plans or as a supplement to insurance shortfalls.

WHO IS ELIGIBLE TO PARTICIPATE?

- Current employees, former employees, and their eligible spouse/dependents. (Sole proprietors, partners, members of an LLC, and 2% or greater shareholders of a S Corporation are **not** eligible.)
- Employer cannot base the maximum HRA reimbursement amount on compensation, age, or years of service.
- HRA must pass the non-discrimination rules under Section 105 that prohibit plan design in favor of highly compensated and key employees (okay to only offer HRA to those that have the employer-sponsored health plan).

WHAT IS ELIGIBLE FOR REIMBURSEMENT?

- Allow reimbursement for claims that trigger only the health insurance deductible.
- Allow reimbursement of health benefits that may be carved out of the traditional plan (i.e. Wellness benefits, Rx costs, etc.)
- Any Section 213 expense (health, dental, and vision).
- You can order the HRA or the FSA to pay first.
- Design plan to replace traditional dental and/or vision plans.

HRA FUNDING OPTIONS

- Offer reimbursement for employee expenses only.
- Offer flat dollar reimbursement for employee and eligible dependents.
- Offer separate schedule of reimbursement for different types of insurance coverage. (For example: \$500 for Single, \$1000 for Limited Family, and \$1500 for Family coverage.)
- Lump sum vs. Pro rata each payroll or monthly funding.
- Carryover permitted but not required.

TO CARRYOVER OR NOT TO CARRYOVER...

Carryover Advantages:

- Encourages employee to spend health care dollars more wisely if they know that they will not lose them at the end of each year.
- Accumulated balance to use for medical expenses at retirement, if plan design permits.
- You can carry forward unpaid expenses as well as balances.
- Tax planning for smaller employers. Money can be used for long-term care insurance premiums or future medical expenses.

Carryover Disadvantages:

- Funds segregated from employer assets will be subject to a trust requirement and associated fees.
- Employer carries potential future liabilities from year to year and may have additional bookkeeping responsibility.

HRA DESIGN POSSIBILITIES

Stand Alone HRA

- First dollar reimbursement or pre-set employee out-of-pocket expense (HRA deductible), before employer reimbursement kicks in.
- Determine what expenses are eligible (i.e. dental only, vision only, etc.)
- HRA may take the place of insurance plan.

HRA with High Deductible Health Plan.

- First dollar reimbursement or pre-set employee out-of-pocket expenses (HRA deductible), before employer reimbursement kicks in.
- Employer only needs to offer HRA to employees enrolled in employer-sponsored high deductible health plan.
- Determine what expenses are eligible (i.e. expenses that trigger deductible only, wellness benefits, Rx, that may be carved out of the plan, etc.)

HRA with a Cafeteria Plan (FSA)

- Determine which plan pays first, FSA or HRA?
- Determine which expenses are HRA eligible.
- Determine who is eligible to use the HRA compared to who is eligible to use the FSA.

Health Savings Account (HSA) Compatible HRA

- Limit eligible expenses to only permit reimbursement of dental, vision and preventative care expenses, so as to not disqualify the HRA participant from making or receiving HSA contributions.
- HRA set up to reimburse only Post-HSA deductible medical expenses.
- HRA set up to reimburse medical expenses only after the employee retires.

HOW TO PICK THE BEST OPTION?

- Review the current insurance plan options with your insurance agent.
- Analyze the premium savings that may be available by switching to a higher deductible or changing plan options or plan features.
- Determine the administration cost of adding a tax deductible benefit plan, like an HRA, and consider the potential expense of partially self-insuring expenses that will be reimbursed under the HRA.
- Weigh your options carefully.