

Your **HRA** **Works** for You

The Health Reimbursement Arrangement (HRA)



The healthcare industry has experienced major change over the past few years, and you've seen it all happen. Now, of course, "consumer-directed" plans are sweeping the nation—a possible tonic for the problem of escalating healthcare costs, and a way to encourage employees to take a more active role in their own healthcare. The idea is exciting, and you know that if you go that route, you have a choice to make about the kind of personal health spending account that would fit your organization's needs. If your organization takes a hands-on approach to employee benefits, the HRA could be a wise choice.

Advantages

Control. HRAs allow you as an employer to retain control of funds and decide what type of expenses will be reimbursed, and also whether HRA funds will carry over from year to year.

Savings. Reimbursements through an HRA are tax deductible for you as the employer and tax exempt for your employees. That means everyone experiences a tax advantage when you select an HRA.

Choice. There are no restrictions on the type of health plan that can be paired with an HRA, so you are free to choose the perfect plan for your employees.

How HRAs Work as an Employee Benefit

Taking advantage of an HRA requires two components: a PacificSource health plan and a health reimbursement arrangement (HRA). Manley Services, a PacificSource company, will administer the HRA for your organization, and will coordinate directly with your employees for the required claims substantiation.

The health plan. There are no rules about what health plans qualify to be combined with HRAs, so you are free to choose the PacificSource plan that will best meet your organization's needs. The key to consumer-directed plans is member cost-sharing, so we recommend that you choose a plan that has a deductible of at least \$500.

The HRA. An HRA is a health reimbursement arrangement—a bookkeeping arrangement in which the employer agrees to reimburse employees for certain expenses. It is not a traditional bank account.

However, from the employee's perspective, an HRA does seem to work much like their bank account. There's even a debit card that allows

members to access HRA funds directly. The behind-the-scenes process is relatively seamless to employees. When members receive healthcare services or supplies, they simply use their Benny™ MasterCard®, which is a stored-value card that works just like any other debit card. When a claim arrives at Manley Services, Manley's claims adjudicators determine whether the service is reimbursable under your HRA. Sometimes they will need an itemized receipt from the member to make this determination. If this is the case, they will send a letter to the employee requesting that information. Your organization then receives just one billing per month, based on the substantiated claims for that time period.

HRA contributions. This arrangement is funded exclusively by the employer—employees are not allowed to contribute to HRAs. And, because it is an agreement using employer funds, ultimately, the employer owns those funds, not the employee. Business owners and partners are not eligible to participate in the HRA. However, if you choose an HSA-qualified plan, the owners/partners could participate in an HSA while your employees enjoy their HRA.

Using account funds. HRAs are popular because they allow employers so much control. You ultimately have the opportunity to decide what expenses will be reimbursed, although they could include any IRS Section §213—allowable medical expense.

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You might choose any of the following options for reimbursement:

- Only expenses covered under the medical plan and all purchased endorsements (such as dental, vision, pharmacy)
- Only expenses covered under the medical plan (i.e., services subject to coinsurance and deductibles). Option: also allow reimbursement of pharmacy expenses or vision expenses
- All unreimbursed medically necessary health expenses as defined by IRS Code §213

Again, it's up to you. The only restriction is that funds may not be used for non-qualified medical expenses.

Is an HRA the right choice?

If you answer yes to any of the following statements, you might want to consider a health savings account (HSA) instead:

- I want employees to be able to contribute their own money to their personal health spending accounts.
- It's important that our owners and partners be able to participate in the same personal health spending account as the other employees.
- I don't want to dictate which expenses are eligible for reimbursement through the personal health spending account; I'd prefer to let my employees make those decisions themselves.

Ready to try an HRA?

Now that you know how it works, you're ready to decide the specifics about your PacificSource HRA:

Choose a health plan. Because there are no limitations on which health plans qualify to be combined with an HRA, you can choose any PacificSource plan you like. To make the best use of this consumer-directed concept, though, you'll want to choose a plan with a deductible of at least \$500.

Choose your optional benefits. You can also elect any of the following optional benefits to enhance your plan further:

- Prescription drug coverage—any available PacificSource plan, including low-cost options
- Dental coverage—any available PacificSource plan, including low-cost options
- Vision care—any available PacificSource plan
- Alternative and chiropractic care—any available PacificSource plan (copay must match medical plan office visit copay)
- Additional accident coverage—the first \$500 of covered expense within 90 days of an accident is paid at 100 percent and is not subject to the deductible

You also have the opportunity to decide:

- Which expenses will be reimbursable through your HRA
- The maximum amount you'll set aside per employee each year for eligible reimbursements
- Whether employees may carry over any unused HRA balance from year to year, and if so, whether you'll impose a maximum cap on HRA balances
- What happens to any remaining HRA balance if an employee terminates without electing continuation coverage

Manley Services— Service You Can Count On

Manley Services, a PacificSource company, is a licensed third party administrator with more than 20 years experience in the Northwest. Manley staff members are proud of their history of accurate and efficient plan administration and excellent customer service. They will administer your HRA and coordinate directly with your employees regarding HRA claims.

You're welcome to contact Manley Services about your HRA
(541) 485-7488 or toll-free (800) 422-7038
www.manleyserv.com



Bend: 541.330.8896 • 888.877.7996
Eugene: 541.686.1242 • 800.624.6052
Medford: 541.858.0381 • 800.899.5866
Portland: 503.699.6561 • 866.540.1191

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