

PERSONAL CHOICE ACCOUNT

Flexible Benefits Administration

Frequently Asked Health Reimbursement Arrangement Account (HRA) Questions

Our Company has a Healthcare Flexible Spending Account (HFSA) through Personal Choice Account and we'd like to add a HRA. Which account reimburses health expenses first?

It's up to you. Simply let us know what works best for you and we can design your plans accordingly.

Who is eligible to participate in a HRA?

Except for owners and partners, all employees are eligible to participate in a HRA. According to IRS guidelines, anyone with two percent or more ownership in a schedule S corporation, LLC, LLP, PC, sole proprietorship, or partnership may not participate. Your Personal Choice Account representative will work with you to resolve any eligibility questions.

How much should I contribute for each employee?

As the employer, you have the flexibility to set your own HRA allocation amount. In general, we recommend funding the HRA at 25-50% of your health plan's annual deductible for each employee. That level gives employees a reasonable amount of first-dollar coverage while still providing for some cost sharing. Due to underwriting rules, *no more* than 50% of the deductible can be funded if the health plan is insured through Regence.

Is there a risk in pre-funding the HRA? Can I lose money if employees run up large claims early in the year and then terminate?

Yes, that's an inherent risk with both FSAs and pre-funded HRAs. A pre-funded HRA might not be a good fit for businesses with high employee turnover. For those situations, an HRA that is not pre-funded might be wise. The employer could split the total annual HRA allocation up over 12 months and allow employees to access only the accrued amount.

Can I define the HRA carry over amount?

Yes, you may set rules on the HRA carry over provision, and may choose to impose an annual carry over maximum. You may also cap the total HRA account balance if you wish, or you can choose not to roll over any of the unused funds from year to year.

Can employees use pre-tax salary reductions to contribute to the HRA?

No, the HRA itself can only be funded with employer contributions. If offered with an insurance plan under a cafeteria plan, the employee portion of the premium may be paid with pre-tax dollars under a cafeteria plan. In addition, you may set up an HFSA in conjunction with the HRA to which employees can contribute.

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What types of medical expenses can be reimbursed with the HRA?

To a large extent, that's up to you as the employer. You can allow reimbursement of a broad range of health-related expenses by adopting the IRS Section 213(d) definition of allowable expenses. Doing so would allow HRA reimbursement of the same expenses allowed under a HFSA, including medical, dental, vision and prescription drug.

Alternatively, you can set up your HRA to allow reimbursement of only certain types of health related expenses. Many employers limit HRA reimbursements to expenses that are covered under their health plan but are subject to the deductible.

Another possibility is to implement a HRA that covers specific items that you do not offer group health insurance for such as dental, orthodontia or vision.

Can employees cash out unused HRA amounts before retiring or changing jobs?

No, the HRA can only be used for reimbursement of medical expenses. The plan may be designed, however, to permit a terminated employee be reimbursed for medical expenses incurred after the termination date.

Can the plan be designed to make employees responsible for the first part of their expenses before the HRA kicks in?

Yes. You can designate an amount that the employee needs to pay out-of-pocket before the HRA money begins to pay. In this case, claims are processed as usual and the system accumulates up to the "HRA Deductible" before it begins to apply the expenses to the HRA.