

Establishing an HRA Administrative Guidelines

A Health Reimbursement Arrangement is an employer-funded plan that reimburses employees for eligible medical expenses not covered by company-sponsored insurance.

DETERMINING YOUR HRA PLAN YEAR

PHP group health plans are based on a calendar year deductible. Many employers prefer that their HRA plan year also be set up on a calendar year basis. To determine your plan year, decide when you want your HRA:

1. To begin; and
2. To renew:
 - a. 12 months from the original effective date – HRA contributions will occur every 12 months from the HRA effective date.

Example: HRA effective May 1 and ends on April 30. HRA deductible and employer contribution will begin again on May 1 of each year.

- b. January 1 of each year – If the HRA is effective any month other than January and you want your HRA and health plan to both be on a calendar year, you must establish a short plan year.

Example: The group health plan begins May 1 and the employer establishes an HRA effective May 1 with a calendar plan year. The 1st year will be a short plan year from May 1 to December 31. Subsequent plan years will be a calendar year from January 1 to December 31.

An employer may choose to use a plan year rather than a calendar year for the HRA. By changing the above example to a plan year, the HRA plan would run from May 1 to April 30 and the HRA deductible and employer contribution will begin again on May 1 of each year.

SHORT PLAN YEAR CONTRIBUTIONS

If the employer chooses a short plan year for the first year the HRA is offered, the employer must decide whether:

1. The annual employer contribution will be pro-rated for the current short plan year; or
2. The employees will have access to the full 12 month employer contribution even though it is not a full 12 month plan year.

BENEFIT DESIGN

The employer may choose to pay first or the employee may be required to pay before any reimbursements are paid by the employer. When the employee pays first, PHP considers this an HRA deductible. The HRA deductible and the health plan deductible are two separate deductibles.

The HRA contribution can be based on coverage type such as Employee, Employee/Spouse, Employee/Child, or Family. Refer to Section 4 of the Consumer Driven Healthcare Application for a benefit design example.

Be sure to check with PHP prior to finalizing the HRA plan design since the monthly fees the employer will pay may be higher depending on the complexity of the HRA plan design.

EMBEDDED VS. NON-EMBEDDED CONTRIBUTIONS

The employer must decide if the employer contribution will be embedded or non-embedded.

Embedded: an eligible individual is reimbursed up to the single employer contribution.

Non-embedded: an eligible individual is reimbursed up to the family employer contribution.

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FUNDING THE EMPLOYEES HRA ACCOUNT

The employer must decide how often to fund the employees HRA account. Three options are:

Annually: the total annual HRA contribution amount is available at the beginning of the plan year.

Quarterly: 1/4 of the annual HRA contribution amount is available on the first day of each quarter.

Monthly: 1/12 of the annual HRA contribution amount is available on the first day of each month.

PRO-RATED EMPLOYER CONTRIBUTION FOR NEW HIRES

The employer must decide if a newly eligible employee, hired mid-year for example, will have access to the total annual employer contribution or if the contribution will be pro-rated. If the contribution is pro-rated, the employer's contribution will be the amount equal to 1/12 of the annual employer contribution multiplied by the number of whole months remaining in the current plan year.

COBRA

When the employer is required by law to comply with COBRA, the terminated employee may be eligible to continue coverage under COBRA. PHP will provide the employer with actuarial determined COBRA rates.

CARRYOVER

The employer determines if the HRA account balance will carry over from year to year. The employer may also limit the amount of any unused balance that is carried over at the end of the plan year. Employees have 90 days to submit claims for reimbursement so any carry over amount will not be applied until 90 days after the end of the plan year.

REIMBURSEMENTS OUTSIDE AN HRA

Reimbursements to employees are not considered part of their income and are not taxed. However, reimbursements paid outside an HRA may be taxable and cause adverse consequences to the plan. Contact your legal or tax counsel with any questions pertaining to your company's specific circumstances.

BANKING ARRANGEMENTS

Once the HRA application has been received, a PHP representative will contact the employer to obtain the information to establish the bank account.

PLAN AMENDMENTS

If the HRA plan is amended off plan year, claims submitted for reimbursement are based on the plan design in effect at the time the claim is incurred.

HRA FORMS

The following required forms are available on PHP's website at www.phpni.com:

- Health Reimbursement Claim Form
- HRA Auto Adjudication Waiver
- Authorization Agreement for Direct Deposit/ACH Credits Form

Note: By providing this information, PHP is not providing legal or accounting advice. As the employer you should determine if you need to consult with your attorney or accountant.