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Health reimbursement arrangements for public employees in Washington




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# HRA

Health Reimbursement Arrangement

- "Account-based" group health plan
- Funded by employer
- Tax-free money for future medical care costs
- For most state employees called "VEBA"
  - Assets held in a voluntary employees' beneficiary association (VEBA) trust


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## Eligibility

- Retirement
- Separation from service
  - if 55+ and
    - 15 years of service in Plan 2
    - 10 years of service in Plan 3
- Eligible cash out determined by CBA
  - may be only sick leave or
  - other cash out options



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### Funding Source Sick Leave Cash-Out Upon Retirement/Separation

#### Per State Law

- 1 day for every 4 days available  
180 day limit for K-12 employees
- paid at per diem rate as if working full time  
the year of the cash out

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### Key benefits—No taxes

**Sick Leave Balance \$10,000**  
Cash or tax-deferred (457, 403(b), 401(k), etc.)

Less FICA (7.65%): \$ 765

Less income tax at (22%): \$2,200

**= \$7,035**

**WITHOUT VEBA:**

25% Federal income tax  
7.65% FICA

You keep 67%

**Sick Leave Balance \$10,000**

Less nothing: \$0.00

**= \$10,000**

**WITH VEBA:**

Tax-free – better than tax-deferred.

You keep 100%

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### Process

**Unique to each district**

- Process for annual vote
- Eligibility to vote

**If majority votes YES:**

- all must enroll in a VEBA plan
- failure to enroll results in
  - possible forfeiture of up to 12 days
  - cash paid as taxable event

**If majority votes NO:**

- no one can cash out into VEBA
- cash out funds are paid as taxable wages


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## Process—Enrollment

- Majority votes yes
- You complete paperwork required by the district
- Application may be available online
- Employer submits funds to VEBA
- VEBA sends welcome packet



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## Key benefits—Investment Options

Are you comfortable making your own investment decisions?

NO


Option A: Choose a pre-mix

- Pre-mixed portfolios
- Professionally managed

YES

Option B: Do-it-yourself

- Individual asset classes
- Build your own portfolio




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## Key Benefits

### Eligibility—Beneficiary—Carry Over



**You**

- ...can use your account anytime after becoming claims eligible
- not working
- working with group coverage

**You**

- ...can name a beneficiary who can use the funds for medical expenses after you die
- order of access
- spouse
- IRS qualified dependents
- non-qualified beneficiary\* (\*may be taxable event)

**Your**

- ...unused balance carries over
- no annual "use-it-or-lose-it"

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## Common Qualified Expenses

## Retiree medical premiums

- Before and after age 65
- Including Medicare supplements and Medicare Part B and Part D

NOTE: Premiums deducted pre-tax by an employer through a Section 125 cafeteria plan are not eligible for reimbursement.



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## Deductibles

## Copays

## Prescription drugs

## Long-term care premiums

- Tax-qualified; subject to IRS limits

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## VEBA limited

There are three situations when a VEBA account should be marked as "limited purpose".

- |  |   |
|--|---|
| <input type="checkbox"/> IF 65+ AND<br>still working AND<br>VEBA account \$5000+ | <input type="checkbox"/> VEBA with HSA<br>contributions |
| Remove "limited purpose" status<br>after you quit working.                       | <input type="checkbox"/> Taking a Premium<br>tax credit |

Consequence if designation is not made:

Medicare will pay nothing until VEBA account is depleted.

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## What is limited HRA coverage?

While HRA coverage is limited, you can still use your HRA to reimburse any of the following

- Medicare premiums
- Orthodontia expenses
- Medicare Supplement premiums
- Long-term care expenses
- Dental premiums and expenses
- Vision premiums and expenses
- Certain other expenses not covered by Medicare

All other medical expenses incurred while HRA coverage is limited cannot be reimbursed.

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## New Rules for Limited Coverage

**IRS**      **Department of the Treasury**  
**Department of Labor**      **Department of Health and Human Services**

The rules set forth conditions under which certain HRAs and other account-based group health plans will be recognized as limited excepted benefits.

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## OneBridge VISA Benefits Card

No monthly fee!  
 Easy to use. Saves you time.

**Pay for medical care items and services directly from HRA.**  
**No more filing claims and waiting to get reimbursed!**

- No monthly fee
- Spend up to 90% of HRA balance every day (a \$3,000 daily limit applies)
- Provider or merchant gets paid when card is swiped
- Plan will notify participant when supporting documentation is needed
- Participants can request separate cards for spouse or dependents (a one-time charge of \$1 per card will apply)

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## e-Services

Online Participant Portal	Benefits Card	e-communication	Mobile App HRago
24 - account access	Instantly pay for medical care items and services directly from your HRA account	Quarterly e-statement notifications, participant news	Submit and track your claims
online Claims submission	Auto-substantiation of most copays and prescriptions	Claims processing notifications	Snap pics of supporting documents and submit online
direct deposit	Save your supporting documents	Sign-up when You enroll online	Check your balance view Investments, update contact information
Sign-up when You enroll online			

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### Plan Administrative Fees

**\$5000 or less**

- \$1.50 per month.
- Fee waived if greater than \$5000.

**Less than \$10,000**

- 1% to 1.25% (+/-) annualized asset-based fee

**Greater than \$10,000**

- 0.25% asset-based fee discount on any portion in excess of \$10,000.

Expenses include:

- claims processing,
- customer service
- account administration,
- printing, postage,
- legal,
- consulting,
- local servicing,
- auditing, etc.

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### Summary

Use the VEBA Plan to help cover your out-of-pocket medical care costs

Get more information:  
[www.veba.org](http://www.veba.org)  
 Or  
 1-888-828-4953

- You pay no tax on contributions, earnings, or reimbursements (claims)
- You choose your investment options
- You can use your account anytime (after becoming claims eligible)
- Your spouse and qualified dependents are covered
- Your unused account balance carries over


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Questions?



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