



# Health Reimbursement Arrangement (HRA)

A DESIGN AND IMPLEMENTATION GUIDE FOR EMPLOYERS



A plan for life.





# Health Reimbursement Arrangements: The CDPHP® Advantage

A health reimbursement arrangement (HRA) is an account funded by the employer on behalf of employees. An HRA can fund the gap between employees' out-of-pocket health care expenses and their insurance coverage. It reimburses qualified medical expenses determined by the employer, such as copayments, deductibles, vision care expenses, prescriptions, and/or dental expenses.

## Employer Advantages

- ▶ **More flexibility** in benefits design
- ▶ Contributions are **tax-deductible**
- ▶ **Lower premiums**, with a higher deductible insurance plan
- ▶ One bill keeps your paperwork **simple**

## Employee Advantages

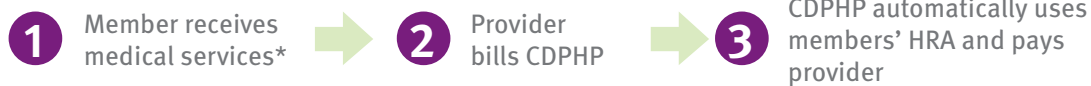
- ▶ **More control** over health care dollars
- ▶ Helps **offset out-of-pocket costs**
- ▶ Qualified reimbursements are **tax-free**
- ▶ CDPHP claims integration makes it **easy to use**



# CDPHP Claims Integration – One More Reason To Choose CDPHP

Our unique claims integration system makes it easier to administer and use an HRA from CDPHP®. It saves time and eliminates hassle by substantiating claims and paying the provider directly on behalf of your employees. And best of all – it all happens at CDPHP. That means no extra claims feeds or different service vendors to manage, keeping information secure and providing more efficient coordination of medical benefits and HRA claims.

## Three Easy Steps to HRA Claims Integration



If the HRA is designed to reimburse dental services or prescriptions, members will have a debit card for those purchases.

**It's really that simple.** And it all happens here.

\* With deductible plans, it is preferable that members do not pay providers at the time of service. If the provider requires payment up front, the member may be owed a refund once the claim processes and is paid through the HRA.





Clear, easy-to-understand steps and the ability to manage the process efficiently are two factors that are vital to developing and sustaining successful health reimbursement arrangements.



# Designing Your HRA

## Six Simple Steps to Creating the Ideal HRA For Your Business

An HRA is not a one-size-fits-all solution. Your broker or CDPHP representative can help you build an HRA that works for you and your employees. To get started, we've outlined the seven steps to designing an HRA.

### STEP 1 Which expenses do you want the HRA to pay for?

HRA plans can be designed to cover different types of expenses. Here are some of the most common HRA plan designs:

**Medical Only:** Pays only health plan associated costs, such as the deductible, copayment and/or coinsurance.

**Comprehensive:** Pays all qualified medical expenses, including some not covered by insurance.

**Ancillary:** Covers a specific group of expenses, such as dental, vision, and/or prescription.

### STEP 2 How much do you want to fund?

Determine how much you want to fund at each contract level. If you are using the HRA to help fund the medical deductible, it is not recommended to fund the entire amount, as the purpose of a medical deductible is to provide accountability for your employees.

### STEP 3 Will there be an HRA deductible?

You may also choose to have employees pay some out-of-pocket charges before HRA funds can be used. For example:

<b>\$500</b> HRA Deductible	<b>\$1,000</b> HRA Allocation	<b>\$1,000</b> HRA Deductible	<b>\$2,000</b> HRA Allocation
<b>\$1,500 Individual HDEPO Deductible</b>		<b>\$3,000 Family HDEPO Deductible</b>	

This means that employees must first meet this \$500/\$1,000 amount out-of-pocket before they can use their HRA funds.

**IMPORTANT NOTE:** If you select an HRA deductible, any money paid out of pocket for prescriptions does not automatically apply to an employee's HRA deductible. The employee must complete an HRA claim form and submit it along with prescription receipts. This can be done online by logging in at [member.cdphp.com](https://member.cdphp.com) or via mail.

STEP **4**

### What percentage of each expense do you want reimbursed?

Once you determine what you want to reimburse, you can choose to reimburse 100 percent of each purchase, which is standard, or you can choose to reimburse a lesser percentage. For example, if your HRA plan reimburses for dental services at 50 percent: When the employee goes to the dentist and incurs a \$100 dental bill, the HRA will reimburse \$50 for that service.

STEP **5**

### Do you want to allow carryover of unused funds?

You may also elect to carry over all or a portion of unused funds from year to year. If you choose not to carry over the funds, a 90-day run-out period will apply in order to account for claims incurred that year.

STEP **6**

### What should you offer employees who enroll off-cycle?

If employees enroll after the plan effective date, you can allow them the entire year's allocation, or you can prorate it by month. Alternately, you may also choose not to offer them any allocation until the next plan year.

## Customizing Your HRA: Additional Options

### Stacking your HRA with an FSA

To provide even more savings, you can offer a flexible spending account (FSA) for health/ or dependent care in conjunction with your HRA. By contributing to an FSA through pre-tax salary payroll reduction, employees can reduce their income taxes, which can, in turn, reduce your Social Security payments and other payroll-related expenses.

If you choose to offer both, you will need to specify which account should pay first. If you choose to include an HRA deductible, it is most common to have the HRA pay first. This allows your employees to use their FSA funds for eligible expenses while the HRA deductible is being met.

Please note: If the FSA is set up to pay first (an uncommon setup), employees' entire annual election will need to be spent before they can access any HRA funds. Please speak with your broker or CDPHP representative to determine how the HRA and health FSA work together.



# Implementation Checklist

- ☐ **Choose a Plan Type.** An HRA must be paired with a deductible health plan. Choosing a higher deductible plan offers a lower premium. You may wish to devote some of the savings from lower premiums to fund the HRA. If a deductible plan is new to your employees, this can help them adjust to the change in out-of-pocket expenses.
- ☐ **Design Your HRA.** Your broker or CDPHP® representative can help you build your HRA by determining what expenses to cover and how much to contribute, among other details.
- ☐ **Educate Your Employees.** The perceived value of your benefits can be enhanced with an effective communication strategy.
  - ▶ Start communicating early to help them become familiar with new plan designs.
  - ▶ Consider holding both company-wide and departmental enrollment meetings.
  - ▶ Check in frequently to gauge understanding and buy-in.

- ☐ **Submit a Signed Administration Agreement.** Your broker or CDPHP representative can help you fill out this form. In addition to the details of your plan design you will need:

**BANK ACCOUNT INFORMATION.** Capital District Physicians' Healthcare Network, Inc. (CDPHN) needs your bank account information to retrieve the funds when employees submit claims or use the debit card for qualified expenses. In order to do this, please keep the following guidelines in mind:

- ▶ You will need two Automated Clearing House (ACH) Authorization Forms: one for CDPHN and one for the debit card vendor. CDPHN or the debit card vendor will pull the funds directly from your bank account.
- ▶ It is highly recommended that you use a Zero Balance Account (ZBA), a checking account in which a balance of zero is maintained by automatically transferring funds from a master account in an amount only large enough to cover checks presented.

**BUSINESS ASSOCIATE CONTRACT.** Please complete this as part of the Administration Agreement.

When applicable, your medical plan group enrollment application should also be submitted at this time.

- ☐ **Sign Contracts.** You will be sent Plan Document and Summary Plan Description (SPD) templates for your authorization and signature, to be completed and returned to CDPHP by your group's effective date. It is your responsibility to then share the SPD with your employees.
- ☐ **Hold Open Enrollment.**

**NOTE:** Employees need to enroll by completing the Annual Election of Benefits form. This form and the member enrollment application must be submitted together.

A woman with long brown hair and glasses, wearing a blue sweater, is looking down at a card in her hand. She is sitting at a desk with a laptop. In the background, there is a modern building with a glass facade and a staircase.

Once you have built an HRA that will meet your company's needs, your next step is to help your employees understand the substantiation process.



# Frequently Asked Questions

How do I enroll employees in the HRA?

Employees are automatically enrolled in the HRA when they enroll in the corresponding medical benefit plan.

How will I be billed?

One invoice from CDPHP will include medical benefits, as well as any funding accounts.

What is the process for submitting claims?

To protect you and ensure that funds are being used appropriately and as allowed by law, CDPHP verifies reimbursed expenses through the substantiation process. For purchases made with the debit card, a substantiation form may be requested, along with proof of payment. The CDPHP claims integration feature makes this process even simpler by paying providers directly, out of the HRA and on your employee's behalf.

Will employees receive debit cards?

Depending on the plan design that you choose, your employees may receive a debit card that can be used to pay for certain eligible expenses, as determined by your plan and IRS guidelines. If you are unsure if your employees will be receiving a debit card, contact your account representative.

Whenever a debit card is used, participants should save their receipts for documentation purposes.

Do non-discrimination rules apply?

In general, HRAs cannot discriminate in favor of highly compensated employees (HCEs) with respect to eligibility or benefits. Speak with your legal or tax advisor for further guidance.

Can an owner participate?

Self-employed individuals, including partners in a partnership and more-than-2% shareholders in an S corporation, cannot participate on a tax-favored basis. Speak with your legal or tax advisor for further guidance.



### Is a domestic partner covered under an HRA?

The employer funds the HRA on a pre-tax basis, and employees receive pre-tax reimbursements. If the domestic partner is a tax dependent, they are eligible for this pre-tax reimbursement. However, once a “non tax-dependent” domestic partner is enrolled, the benefits for that domestic partner are now taxable. The employer is responsible for receiving and maintaining records of tax certification and for any tax reporting.

### Does COBRA apply to an HRA?

HRAs are considered employer-sponsored health plans and are therefore subject to all federal regulations that apply to ERISA plans, including COBRA. An employee is not permitted to elect the HRA benefit alone. The HRA may only be elected as long as the individual continues the CDPHP medical plan through COBRA.

CDPHP does not administer COBRA. Therefore, it is the employer’s responsibility to charge a COBRA HRA premium.

### What resources are available to help me manage my group’s HRA?

You will have access to monthly reports online in the secure portal of [www.cdphp.com](http://www.cdphp.com), detailing enrollment, transaction history, enrollee account balances, and summary statements. You can also contact your broker or CDPHP representative to answer group-specific questions and concerns.

### What resources are available for my employees?

Employees can log in to [member.cdphp.com](http://member.cdphp.com) to:

- ▶ track claims, deductibles, and account balances
- ▶ submit online claims
- ▶ substantiate debit card transactions
- ▶ request additional debit cards
- ▶ create direct deposit for online and paper claims

Employees can also contact the CDPHP health funding department at (518) 641-3770 or 1-877-793-3960. Or, they can visit our consumer-directed health website at [www.cdphp.com/consumer-directed-health](http://www.cdphp.com/consumer-directed-health) for tips and tools for making the most of their funding account.

*This document is not intended to provide legal or financial advice. Please consult your legal or tax advisor for additional information.*

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[insights.cdphp.com/join](https://insights.cdphp.com/join) 

Get fitness tips, wellness ideas,  
and more! Follow us on social  
and visit [blog.cdphp.com](https://blog.cdphp.com).



**A plan for life.**

Contact your broker or call your CDPHP account executive at **1-800-993-7299**.

CDPHP Universal Benefits,<sup>®</sup> Inc.

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