

*Especially designed for higher-deductible health plans, including IRS-qualified High-Deductible Health Plans.*

## Health Reimbursement Arrangement (HRA)

As employers search for that “silver bullet” to reduce their growing health care costs, many are turning to high-deductible health plans (HDHP). Why? Because health plans with higher deductibles mean lower premiums and savings for you. But for employees, it means more out-of-pocket expenses.

To help take some of the sting out of higher deductibles, many employers are coupling their employer-sponsored health plan with a “Health Reimbursement Arrangement” (HRA) to pay a portion of the expenses the employee must incur before meeting their deductible.

### Here’s how an HRA works with your health plan.

1. **Select a high-deductible health plan** that’s best for your group.
2. **Decide how much you wish to allocate** into a Health Reimbursement Account for each employee. You can choose the same amount for everyone or more for families. The choice is yours.
3. **Design an HRA that is best for you.** You can design a health reimbursement account that pays only prescriptions and/or medical expenses that are subject to the deductible. Or, you can choose a more comprehensive plan that pays for items like prescribed over-the-counter drugs, contact lenses, orthodontics, prescribed weight loss and smoking cessation programs, etc. Again, the choice is yours.

Some employees may need more than what you choose to allocate in an HRA for health care expenses. You can help employees further by allowing them to make regular pre-tax deductions into a separate account called a health Flexible Spending Account (FSA).

Our plan consultants are available to work with you to create a plan design that will meet your objectives. Please feel free to call us to discuss your questions. Our toll-free number is 877-887-1080.

### Save more with these options

#### Employees may need more than what’s allocated in an HRA to pay health care expenses.

You can designate a maximum amount that each employee may voluntarily elect to set aside through pre-tax payroll deductions to a health Flexible Spending Account<sup>2</sup> (FSA) to pay health care expenses that are not reimbursed by your health plan or not paid from what you’ve allocated to the employee’s HRA.

Employee FSA dollars cover IRS qualified medical expenses including, but not limited to, vision, dental, prescriptions and prescribed over-the-counter medications, routine services and corrective items like orthodontics, eyeglasses, contact lenses, laser eye surgery, and prescribed smoking cessation and weight loss programs. Your employee is responsible to pay providers and can use the take care® flex benefits card to pay qualified FSA expenses or file a claim with us and be reimbursed for qualified expenses by check or direct deposit.

#### Flexibility for you and your employees

Whether you’re allocating dollars to an HRA for employees and/or employees are making voluntary pre-tax contributions to an FSA, the IRS has established very flexible rules that enable you to design a plan that is best for you and your employees.

- ▶ You decide how much you want to allocate to an HRA for employees and how much, if any, employees can contribute to an FSA. The IRS sets no dollar limits on annual contributions made by employers or employees – the employer makes those decisions.
- ▶ Employer allocations to an HRA are accounted for separately from voluntary employee contributions to an FSA.
- ▶ Employer allocations that are reimbursed from the HRA that are used are tax deductible. Employee contributions to an FSA are made through voluntary pre-tax payroll deductions.
- ▶ The money that is paid out for qualified medical expenses is tax free to employees.
- ▶ Unused employer allocations to an HRA will expire at the end of the plan year, unless you choose to roll them forward. There is no IRS requirement to roll forward any portion of the employer contributions to the HRA. It’s up to you.
- ▶ Unused employee contributions to the FSA can be used for expenses incurred up to 75 days after the plan year end. This is an IRS option that you select and one that employees will appreciate.

<sup>2</sup>Employee voluntary elections fall under IRC §125 Flexible Spending Accounts.

*HRA tax savings for me and my employees.*

*That’s exactly what I need.*



# Health Reimbursement Arrangement

## HRA Options

### take care® Select HRA

With the take care Select HRA your employees can pay for a portion of their health care services that fall below the deductible.

When you allocate money to a take care Select HRA for an employee, you select which expenses it will cover<sup>†</sup>. For instance, you may want the allocations in the HRA to pay only prescription and/or medical expenses that are subject to the deductible in your health plan. You decide on the amount you want to allocate for each employee or family.

#### How employees use the take care Select HRA

- 1. The Prescription Benefit card for prescription medications.** Employees and their dependents will receive a take care Prescription Benefit card to pay prescribed medicine co-payments. This is an IRS-approved Visa® card that is limited to purchasing only prescribed medicines at over 35,000 IRS-compliant retail locations across the country and will not allow the purchase of other items sold at these retailers. At the employer's option, the card may be programmed to pay for prescribed over-the-counter medicines in addition to prescriptions.
- 2. Pay me back. For the employee responsibility of the medical deductible.** After an employee, or a dependent, sees a medical provider, the employee will need to submit a copy of an Explanation of Benefit (EOB) or a receipt for the services provided, along with an HRA claim form, to us. If the EOB or receipt includes amounts that fall under the employee's health plan deductible, and if a balance remains from the employer's allocation to the HRA, we will send a payment for the deductible amount to the employee by check or direct deposit. The employee is responsible for paying the health care provider.

### take care® Total HRA

With the take care Total HRA your employees can pay for a portion of their health care services that their health plan does not pay.

When you allocate money to a take care Total HRA for employees, it is available to pay for all qualified health care services that your health plan does not cover. So, when an employee needs to pay for items like co-pays, prescriptions, prescribed over-the-counter medicines, doctor visits, checkups, dental and vision services and elective services like braces for the kids or laser eye surgery, the money is available. You will decide on the amount you want to allocate for each employee or family.

#### How employees use the take care Total HRA

- 1. The take care® Flex Benefits Visa® Debit Card** – it's the easiest way to pay. This card is the most convenient way for employees to use the money in their take care Total HRA.
  - ▶ To purchase prescriptions and prescribed over-the-counter medicines. At 35,000 IRS-compliant retail locations, including drug stores, grocers and superstores, the take care Card automatically knows which items are IRS qualified and will only pay for prescriptions and prescribed over-the-counter medicines. The Card will not pay for other items sold at these retailers.
  - ▶ At doctors, dentists, hospitals, vision centers and medical equipment suppliers. The take care Card is accepted at health care providers to pay for services and supplies. Since these providers may also provide services that are not qualified under IRS guidelines (i.e. teeth bleaching, cosmetic surgery and non-prescription sunglasses), your employee may be asked to submit copies of receipts and invoices for further verification.
- 2. Pay Me Back.** When employees don't use the card to pay qualified expenses, they can file a claim to request a reimbursement from their Total HRA. Employees will go online to complete a claim form and then submit receipts to us for approval. Claim forms are reviewed daily. Once approved, reimbursements will be sent to employees by check or direct deposit.

<sup>†</sup> Employer allocations fall under rules pertaining to IRC §105 Health Reimbursement Arrangements and employee elections fall under IRC §125 Flexible Spending Accounts.

## Important Information

### Plan requirements

- ▶ Your group can start a take care account at any time. Plus, you can have a short coverage period to coordinate with other benefits.
- ▶ The plans must be in writing and a Summary Plan Description must be distributed to each plan participant.
- ▶ The plan may not discriminate in favor of highly compensated employees.
- ▶ The plan may, but is not required to, cover terminated or retired employees.
- ▶ COBRA continuation must be offered to HRA and FSA participants who experience a qualifying event.
- ▶ Generally, employers maintaining HRA and/or FSA plans that cover more than 100 participants must file an IRS Form 5500 each year.
- ▶ Certain owners may not participate as employees in the take care plans. These would include sole proprietors, partners in partnerships, LLC members, or 2% shareowners in an S Corp. As an alternative, these individuals may qualify to establish an individual Health Savings Account (HSA). Call us for details.

### Funding and paying expenses with take care accounts

- ▶ Employer HRA allocations will be accounted for separately from voluntary employee FSA contributions. This is in accordance with IRS Code<sup>†</sup> rules that provide you with flexibility to design a plan that's best for your group.
- ▶ HRA accounts can cover all qualified expenses not covered by a health plan or they can be restricted to cover only certain benefits like prescriptions or co-pays and health plan deductibles. This is a plan design feature the employer must select.
- ▶ Employers are required to pay eligible health care expenses only to the extent of an individual's FSA election.
- ▶ Eligible expenses must be incurred during the participant's period of coverage, but may be paid at a future date. This is a plan design feature.
- ▶ Unused employer HRA allocations will expire at the end of the plan year, unless you choose to roll them forward and make them available to pay expenses incurred in the following year. For example, to encourage employees to plan ahead and use the money wisely, you might designate that a portion of the unused employer allocation (say 50%) roll forward to the next year. There is no IRS requirement, however, to roll forward any portion of your allocations.
- ▶ Unused employee FSA contributions can roll forward and be used for expenses incurred within 75 days of the plan year end. This is an IRS option the employer selects.
- ▶ The HRA and/or FSA cannot be "cashed out" upon an employee's termination or retirement.

## Consumer-Directed Health Care Plan Design Worksheet

1. How much would you like to allocate to an HRA for each employee during the year?

Employee only \$  Family \$  Other \$

2. Would you like to make the entire annual employer HRA allocation available on the first day of the year, or monthly?

First day of the year  Monthly, pro-rata  Other

3. Some employees may need to budget more in a health care take care account than you choose to allocate from employer funds. What annual dollar limit do you want to set for employees that wish to make voluntary pre-tax payroll deductions to an FSA account? \$

4. Funds allocated by employers to an HRA account will be accounted for separately from voluntary employee FSA contributions. You can also restrict employer allocations to pay certain types of expenses.\* For example, you can set up the employer allocation so it will only pay for prescriptions, co-pays and the health plan's deductible expenses, while items like over-the-counter medicines and supplies, contact lenses, eyeglasses, laser surgery, orthodontics or prescribed health-improvement programs would be paid from the dollars employees elect through voluntary pre-tax payroll deductions.

You can also choose which account will be first to pay certain types of expenses. For example, you may want employee FSA funds to start paying pharmacy expenses only after employer HRA allocations are completely used. (Some restrictions may apply with the take care<sup>®</sup> card.)

HEALTH CARE EXPENSES (CHECK ✓)	YOUR CHOICES	PAY FROM EMPLOYER HRA DOLLARS		IF EMPLOYEES CONTRIBUTE TO AN FSA, WHICH ACCOUNT PAYS THIS EXPENSE FIRST?	
Prescriptions		Yes <input type="checkbox"/>	No <input type="checkbox"/>	<input type="checkbox"/> Employer HRA	<input type="checkbox"/> Employee FSA
Medical expenses subject to the deductible of your health plan		Yes <input type="checkbox"/>	No <input type="checkbox"/>	<input type="checkbox"/> Employer HRA	<input type="checkbox"/> Employee FSA
Over-the-Counter (OTC) supplies, insulin and prescribed OTC medicines		Yes <input type="checkbox"/>	No <input type="checkbox"/>	<input type="checkbox"/> Employer HRA	<input type="checkbox"/> Employee FSA
Other IRS-qualified medical, dental, vision fees and health care products		Yes <input type="checkbox"/>	No <input type="checkbox"/>	<input type="checkbox"/> Employer HRA	<input type="checkbox"/> Employee FSA

5. Unused employer HRA allocations will expire at the end of the plan year unless you choose to roll them forward. For example, to encourage employees to plan ahead and budget wisely, you might designate that a portion of the unused accumulated employer allocation (say 50%) roll forward to the next year. However, there is no IRS requirement to roll forward any portion of the employer contribution that is not used. Will unused employer contributions be carried over to the next year and be available for expenses incurred in the following year?

Yes  No If yes, what percent?  % up to a maximum amount of \$  or  unlimited?

6. Unused employee FSA contributions can be used for expenses incurred within 75 days after the plan year end. This is an IRS option that you select and one that employees will appreciate. Will unused employee contributions be carried over to the next year and be available for expenses incurred within 75 days after the plan year end?  Yes  No

**For a FREE plan consultation, call 877-887-1080**

### Insurance premiums and take care<sup>®</sup> accounts

- ▶ Health plan premiums may be paid from HRA and/or FSA accounts. This is an optional design feature and is not required. However, insurance with a return-of-premium feature cannot be paid from an HRA or FSA account.
- ▶ Long-term care premiums and long-term care expenses can be paid from employer allocations to an HRA. This is an optional design feature and is not required. This option is not available for employee FSA contributions.
- ▶ Life insurance premiums cannot be paid from an HRA or FSA account.
- ▶ Disability premiums can be paid from an HRA or FSA account although most tax advisors recommend against it due to the adverse tax consequences.

### How to get started

Simply complete the take care<sup>®</sup> Account Application and we take care of the rest.

#### Plan setup and ongoing administration is easy with our turnkey service

Plan Consulting. Upon receiving your application, a plan specialist will contact you about plan options.

- ▶ Plan Setup. The setup kit includes "signature-ready" custom plan documents and forms, and a checklist for plan implementation. For existing plans, the service also includes a new updated plan document.
- ▶ Employee Account Management. Contributions are collected for each pay period and credited to employees' account balances. Daily services include account balance tracking, claims adjudication, and expense payment by check or direct deposit. A flex benefit card option payment is issued at no additional charge.
- ▶ Participant Assistance. Employees have 24-hour access to their accounts: online, through a toll-free interactive voice response line, and daytime access to our toll-free call center. Employee statements are included on claim payment stubs, on demand and online.
- ▶ Annual Plan Compliance. Services include reconciliation and reporting of employee account balances, plus compliance with discrimination testing requirements. A "signature-ready" IRS Form 5500 and any plan amendments are provided, if necessary.

# Health Reimbursement Arrangement Application

1. Legal Name of Employer Sponsoring the Plan: \_\_\_\_\_
2. Business Type:  C Corp.  S Corp  Sole Proprietor  LLC  Partnership  Not-For-Profit  Government Entity or Church
3. Legal Name(s) of Affiliated Company(ies) that will be Covered by this Plan: \_\_\_\_\_  
\_\_\_\_\_
4. Principal Business Activity: \_\_\_\_\_
5. Federal Employer Identification Number (Must be nine digits):   —
6. Primary Contact Person: \_\_\_\_\_ Title: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Email: \_\_\_\_\_  
Secondary Contact Person: \_\_\_\_\_ Title: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Email: \_\_\_\_\_
7. Street Address (No PO Boxes): \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_
8. Health Care Account Plan(s) Effective Date:
  - a.  A new plan effective as of (date) \_\_\_\_\_
  - b.  Plan year end (date) \_\_\_\_\_
  - c. Select plan type to be administered (check only one box). Note: If both an HRA and FSA are administered, fees quoted include both plans.  
 take care® Select HRA  take care® Total HRA  take care® Select HRA and FSA  take care® Total HRA and FSA  FSA only
  - d.  An amendment and restatement of a previously established HRA and/or FSA plan of the employer.
    - (1) This amendment and restatement is effective as of (date) \_\_\_\_\_
    - (2) Effective date of the original plan \_\_\_\_\_
    - (3) Plan number (consult last Form 5500, if filing was required, for number assigned to your plan) \_\_\_\_\_
9. Employer's Principal Office: This Flex Plan shall be governed under the laws of the:  State  Commonwealth \_\_\_\_\_
10. Total Number of Employees: \_\_\_\_\_
11. Payroll is prepared:  In-house  Outsourced (specify payroll company): \_\_\_\_\_

## Pricing information

12. Fee for a New Plan Setup and Restatement: Call for quote.
13. Fee for Participant Services: \$5.25 per month/participant - includes flex benefit card
14. Fee for Annual Plan Compliance: \$50 per month.

## Shipping instructions

15. Enrollment Kit is shipped UPS Ground within five business days of receiving completed application and setup fee.

## Payment of setup fee

16.  Check enclosed for \$ \_\_\_\_\_ (payable to WageWorks)  
 Charge my credit card for \$ \_\_\_\_\_  VISA  MC  AMEX  Discover Expiration Date: \_\_\_\_\_  
Credit Card Number: \_\_\_\_\_ Name on card: \_\_\_\_\_
17. Employer Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## To be completed by referral source

- Name of Referral Source: \_\_\_\_\_ Affiliated Company: \_\_\_\_\_  
Address (No PO Boxes): \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Email: \_\_\_\_\_

The referring company or its representative may earn a fee for services performed in connection with the implementation of this plan.

**FAX this completed form to 866-672-3682**

**Questions? Call 877-887-1080 (Weekdays, 8 am - 5 pm CST)**

WageWorks internal use. Client No. \_\_\_\_\_ Rep. No. \_\_\_\_\_ Lead Source: \_\_\_\_\_

## About WageWorks

WageWorks is dedicated to being a world-class provider of benefit services delivering the easiest-to-use and most convenient solutions that enable employers, individuals and their families to maximize savings on health, commuting, and other tax-advantaged accounts. Today, WageWorks is the leading provider of tax-advantaged solutions and services in the United States, consistently setting industry standards for high-quality service and innovation. WageWorks specializes in delivering enterprise level functionality and service excellence designed specifically for growth-oriented employers and entrepreneurial businesses.



take care®  
by WageWorks

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