

# HEALTH REIMBURSEMENT ARRANGEMENTS

Health Reimbursement Arrangements are also known as Health Reimbursement Accounts or HRAs. HRA plans are tax-advantaged, employer-funded medical reimbursement plans that help manage increasing health care costs.

Like Flexible Spending Accounts or FSAs, HRAs are used to pay for qualified medical expenses for employees and their families. Unlike FSA plans, HRA plans are entirely employer-funded, and unused amounts in an HRA can be carried forward for reimbursements in future years.

The employer contributes funds to the employee's account. The contributions that the employer makes are excluded from the employee's gross income. The employee may be reimbursed for qualified medical expenses. Employees can retain HRAs into retirement, if provision is defined in the Plan Document.

Health Reimbursement Arrangements are authorized under Treasury and IRS Notice 2002-45 and Revenue Ruling 2002-41. Since unused funds may carry over from one plan year to the next, participants have incentive to use their funds wisely so they can save for future expenses. HRAs are commonly used with high-deductible health plans (HDHP) and other consumer-driven health plans.

As deductibles and co-payments increase to control the cost of health insurance premiums, HRAs can maintain employee benefits and help prevent increased out-of-pocket expense.

Employers may have both a Flexible Spending Plan and Health Reimbursement Arrangement in place. Unreimbursed medical expenses that may qualify for reimbursement under HRAs include medical, dental, prescription drug, vision care, co-payments, and costs incurred by the employee, spouse, or dependent that are not paid by insurance programs.

Like FSAs, when a participant incurs an eligible expense, they simply "voucher" that expense from the account. Following receipt or proof of expense for the amount claimed, a check will be issued to the participant.

## How to obtain a proposal

Provide the number of eligible participants and amount of the employer contribution.

For a more complete explanation, assistance with plan design, and information on how this plan can work for your group, please contact Member Benefits at **800-626-8101**.

*The Preferred Group and P & A Group Health Reimbursement Arrangements are NYSUT Member Benefits Trust (Member Benefits)-endorsed programs. Member Benefits has an endorsement arrangement of \$.20 per participant per month with an additional payment of \$.05 for each participant in an additional endorsed program with The Preferred Group Plans, Inc. and \$.10 per participant per month with P & A Group. All such payments to Member Benefits are used solely to defray the costs of administering its various programs and, where appropriate, to enhance them. Member Benefits acts as your advocate; please contact Member Benefits at 800-626-8101 if you experience a problem with any endorsed program.*

