

Popular HRA “Deductible Reimbursement Plan”

The continuing escalation of health insurance cost is driving many employers to lower-cost high-deductible plans, with annual deductibles of \$1000, \$2500, or even \$5000.

Though many of these plans still include copays for doctors visits and prescription drugs, the philosophy for high-dollar expenses is returning to basics: “*Budget for the affordable, insure for the catastrophic.*”

Many employers choose to reduce premiums by shifting to a high deductible plan, then installing a Deductible Reimbursement Plan (HRA Plan) to assist employees with a portion of their new liability. An example:

- Employer A changes from the existing \$250 deductible to a \$2500 deductible, saving 18% on premium costs. A portion of this savings is used to fund a Deductible Reimbursement plan that reimburses employees 100% of dollar \$501 to \$2500 of his/her deductible expense. Since the insurance plan still includes copays, claims for deductible reimbursement are infrequent.

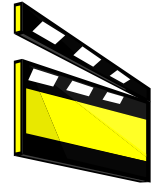
The tool used to fund the Deductible Reimbursement Plan is a Health Reimbursement Arrangement (HRA), providing deductibility for the employer and non-taxability of benefits to the employee. The plan is unfunded, meaning the employer only incurs a cost at the time of claim. There is no accrual of benefits to employees, no carryover of unused benefits... merely a promise to pay if a deductible expense exceeds a set limit.

ProBenefits handles HRA Plan setup and administration, reducing administrative concerns and complying with applicable rules. An HRA Information Booklet is available at [this link](#).

Quickies

◆ March 31st is 2003 Claims Deadline

Claims incurred during 2003 for calendar year plans were due by March 31st. Once **ProBenefits** has processed all 2003 claims, a final Account Balance Report will be provided for Plan Year 2003.



Your Questions Answered

What continuation options can or must be offered to terminating employees with positive FSA balances?

Several options exist for FSA participants who terminate employment with unspent FSA funds:

Dependent Care FSA – a spenddown option is present in plans administered by **ProBenefits**, allowing terminated participants to continue submitting claims until the Dependent Care FSA balance is exhausted. Expenses must be incurred during the existing plan year and be work-related, meaning the ex-employee must be employed.

Medical Care FSA – COBRA-compliant employers must offer COBRA continuation of the Medical FSA to those who terminate with a positive balance in their account. Those who elect COBRA must continue to make contributions (now non-deductible) and, as such, remain active participants with all the privileges of other Medical FSA participants. They may *not*, however, re-enroll for a new plan year.

Small employers who are not subject to COBRA compliance have no federal mandate to offer Medical FSA continuation.

Online Readers: Click [here](#) for more information on COBRA applicability to the Medical FSA.

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