



Northwest Marketing Resources, Inc.

HEALTH REIMBURSEMENT ARRANGEMENT

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Savings for You and Your Employees

What is a Health Reimbursement Arrangement (HRA)?

Sometimes called defined contribution, personal care accounts, health savings accounts, or Health Care Accounts, HRAs allow an employer-funded account to repay the unreimbursed medical expenses of employees along with an option to carry unused funds forward. Only owners of C Corporations may participate in the plan. Other entities may sponsor an HRA, the owners just will not be able to receive reimbursements through the plan.

A HRA account may reimburse any or all of the same expenses as a Section 125 Health Flexible Spending Account (FSA) and reimbursements of qualified medical expenses are *tax-free*.

Unlike a Health FSA, where the IRS requires the annual election to be available on the first day of the plan year, only a portion of the HRA limit is added to each account once per month or pay period. This means no surprises and no big hits to the employer's checkbook. The employer will only be liable for a portion of each employee's HRA annual limit.

What benefits can an employer include in an HRA Plan?

Medical expenses not covered by insurance. Typical expenses include insurance co-pays and deductibles, eye exams, eyeglasses, eye surgery, contact lenses and solutions, dental visits, orthodontic care, medical examinations, mental health care, chiropractic services, and prescription drugs.

Insurance premiums. Health insurance provided by the employer, individually-owned policy premiums, or long-term care insurance premiums may be paid from the HRA plan.

What happens to the money that an employer puts into the HRA?

An employer establishes an HRA by adopting a formal plan and distributing a Summary Plan Description (SPD) to all eligible employees. The SPD describes, among other things, the amount of money available in each employee's personal health account for the coverage period. As eligible expenses are submitted, the employee's personal account is reduced and paid to them on a non-taxable basis.

Plus, at the employer's option, the plan can be designed such that dollars not spent by employees can be rolled over to fund the employee's expenses in the future years.

How to Get Started

You can start an HRA at any time. Plus, you can have a short coverage period to coordinate your HRA with other benefits. The coverage period can also coincide with either your fiscal year, calendar year, or health plan—the choice is yours.

To set up your HRA plan, complete the Health Reimbursement Arrangement Application and fax or mail it to Northwest Marketing Resources. One of our representatives will contact you to design a custom HRA plan document and set up administrative procedures.

Northwest Marketing Resources

522 Franklin ST SE
Olympia, WA 98501

PO Box 447, Olympia,
WA 98507

800.565.0313

Fax - 360.754.1931

How Will This Benefit You and Your Employees?

Benefiting You:

- 1 Combining a higher deductible insurance plan with an HRA plan can lower your company's health insurance cost.
- 2 An HRA plan can help lower prescription drug costs.
- 3 Your company's retirement retiree benefit costs could be capped or reduced.
- 4 Administrative costs are tax deductible and can be paid by you, your employees, or a combination of employer/employee dollars.
- 5 Unused employee account balances can be rolled forward each year or forfeited by employees, depending on your benefits strategy.
- 6 Complements your FSA plan and enhances FSA plan participation levels.

Benefiting the Employee:

- 1 Supplements employees insurance at no cost to them.
- 2 Benefit is not taxed.



Important Information

- 1 The plan must be in writing and a Summary Plan Description must be distributed to each plan participant.
- 2 COBRA continuation forms should be provided to all terminating participants in the medical reimbursement portion of the plan.
- 3 Insurance products with a return-of-premium feature cannot be paid for on a pre-tax basis.
- 4 The plan may not discriminate in favor of highly compensated employees.
- 5 Employers are required to pay eligible medical expenses only to extent of an individual's account balance.
- 6 Generally, employers maintaining HRA plans that cover more than 100 participants must file an IRS Form 5500 each year.
- 7 HRAs can be restricted to cover only certain benefits, like prescriptions, or co-pays and deductibles.
- 8 Eligible expenses must be incurred during the participant's period of coverage, but may be reimbursed at a future date. This is a plan design feature.
- 9 The HRA cannot be "cashed out" upon an employee's termination or retirement. The fund must always be used for qualified medical expenses.
- 10 Plan design options are flexible. HRAs may be designed to roll unused balances forward from one year to the next, or forfeit to the employer at the end of the coverage period. The plan may, but is not required to, cover terminated or retired employees.
- 11 Owners are not eligible to participate in these plans unless they are the owners of a C Corporation.

Plan Design & Administration

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

Simply Complete the HRA Plan Application and we take care of the rest.

- 1 **Plan Consulting.** Upon receiving your application, a plan specialist will contact you about plan options.
- 2 **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 plan review and amendment, if needed.
- 3 Confirmation of annual elections, claim forms, and instructions for filing are provided to all participants.

- 4 **Employee Account Management.** Employees' account balances are kept. Daily services include account balance tracking & claims adjudication. Weekly services included claims payment by check or direct deposit.

- 5 **Participant Assistance.** Employees have 24-hour access to their accounts at www.EzFlexPlan.com/nmr and 800-line interactive voice response, and daytime access to our 800-line call center. Employee statements are included on claim reimbursements and on demand.

- 6 **Annual Plan Compliance.** Services include reconciliation and reporting of employee account balances, plus compliance with discrimination testing requirements. A "signature-ready" IRS Form 5500 (if required) is provided, along with an Annual Compliance package and information for W-2 Wage and Tax Statements.

HOW AN HRA WORKS WITH AN FSA PLAN

You might be asking—why maintain a Section 125 flexible spending account (FSA) if an HRA is created? An FSA and an HRA both reimburse employees for eligible medical expenses. It's simple—more employee choice and flexibility.

One size does not “fit all” and an HRA would not be established to cover every employee’s medical expenses. In other words, while one employee may have unreimbursed medical expenses of \$500 per year, there are other employees with a greater need. Let’s look at an example.

An employer sets up an HRA and makes available each year \$1000 per employee. This coincides with the implementation of a higher-deductible (\$1,500) group

insurance plan. Employee A estimates his medical expenses for the year at \$3,500. This includes such things as glasses and contact lenses that are not covered by the group health plan.

With only \$1,000 available through the employer-funded HRA, this employee is looking at paying for at least \$2,500 of medical expenses with taxed dollars. Unfortunately, he has to earn over \$3,400, before taxes. To pay these bills.

With an FSA, the employee gets to customize the amount to be reimbursed to him on a tax-free basis. The employee will set aside \$2,500 of untaxed wages through the employer’s FSA plan and the employer will reimburse \$1,000 worth of medical expenses through the HRA plan.

<u>Medical Expenses</u>	<u>Annual Expenses</u>	<u>FSA Reimbursement</u>	<u>HRA Reimbursement</u>
Co-pays	\$ 300	\$ 300	
Deductible	\$1,500	\$ 500	\$ 1,000
Glasses	\$ 500	\$ 500	
Orthodontics	\$1,200	\$1,200	
Totals	\$3,500	\$2,500	\$1,000

HRA PLAN DESIGN OPTIONS

- **Bridge.** The Bridge Plan compliments a higher-deductible or out of pocket insurance product. It pays only for deductible items covered by insurance and provides a “bridge” between out-of-pocket expenses and insurance coverage.
- **Comprehensive.** The Comprehensive Plan pays all medical expenses not covered by insurance. These expenses include, but are not limited to, dental and vision fees, chiropractic services, co-pays, deductibles, and insurance premiums. This plan could be coupled with a higher-deductible or limited-coverage insurance arrangement or as an additional employee benefit.
- **Limited.** A limited HRA covers only a group of expenses such as dental or vision. It can also be restricted to a single medical expense like prescriptions.
- **Insurance Only.** The Insurance Only Plan allows employees to pay for employer-provided insurance coverage or individually owned policies for health, disability, or long-term care insurance.

Plan design options are flexible. HRAs may be designed to roll unused balances forward from one year to the next, or forfeit to the employer at the end of the coverage period. The plan may, but is not required to, cover terminated or retired employees.

Keep in mind that the above plan design options can be achieved with a single Section 125 Cafeteria Plan. You may want to consider providing Flex Credits through your FSA plan. It's easy and convenient to provide all benefit through one delivery system, and keep administration to a minimum.

Contact Northwest Marketing Resources at ezflexplan@northwestmarketingresources.com.

Or call us at 800.565.0313

NMR HRA Plan Application

If you require assistance completing this form, call 1-800-565-0313

1. Legal Name of Company Sponsoring Plan: _____
2. Business Entity Type: C Corporation Sole Proprietorship Partnership
 S Corporation Limited Liability Company Not-For-Profit
3. Principal Business Activity: _____ **NOTE:** Owners are not eligible, except owners of C Corporations.
4. Federal Employer Identification Number (Must be 9 digits): _____ - _____ - _____ - _____ - _____
5. Contact Person: _____ Title: _____
6. Street Address (No PO Boxes): _____ Mailing Address: _____
Physical City, State, Zip: _____ Mailing City, State, Zip _____
7. Phone: _____ Fax: _____ E-mail: _____
8. Effective Date—This HRA plan will be:
 - a. A new plan effective as of (date) _____
 - b. An amendment and restatement of a previously established HRA plan of the employer.
 - (1) This amendment and restatement is effective as of (date) _____
 - (2) State the effective date of the original plan _____
 - (3) State the plan number (consult last Form 5500, if filing was required, for number assigned to your plan): _____
9. Plan Year End: _____
10. Employer's Principal Office—This HRA plan shall be governed under the laws of the:
State of _____ Commonwealth of: _____
11. Plan Design Options (select one): HRA Benefit is for Employee Only or Employee & Dependents Health Plan Deductible _____
 Bridge - Amount of Bridge per employee _____, family _____. Who pays first? EE or ER Carrier? _____
 Comprehensive - Max Benefit per employee _____, Maximum per family (if different) _____.
 Limited - Max Benefit per employee _____, family (if different) _____ Limited to what? _____
12. Funding: Pre-Funded (Contribution checks will be sent to NMR and we will issue the claim reimbursements.)
 Un-Funded (**Bridge only**—NMR will process claim and notify employer when check needs to be issued.)
If Un-Funded who should claim notification go to? _____ Where? Fax or Email _____
13. Legal Name(s) of Affiliated Company(ies) that will be Covered by this Plan: _____
14. Number of Covered Employees: _____, Full-time employees work _____ hours per week. Eligibility matched medical? Yes or No.
15. Will your plan have a rollover provision? Yes Or No If Yes, how much will rollover? _____%
16. Payroll is Prepared: In house Outsourced (specify payroll company): _____
17. Do you have an FSA Plan? Yes Or No If Yes, which pays first HRA or FSA
18. Do you have an HSA?? Yes Or No

Pricing Information

- Fee for a New Plan Setup and Restatement is \$300.00
- Fee for Participant Services: **Simple Bridge:** \$30 per employee per year (charged for EE's who actually submit a claim — billed at Year End)
Complex Bridge , Pre-funded & Comprehensive: \$4.50 per month, per eligible employee.
- Fee for Annual Plan Compliance: **Bridge:** \$150 **Comprehensive:** \$200 (billed at plan renewal)

Shipping Instructions:

Mail to: Agent or Group

Payment

19. Check enclosed for \$ _____ (payable to Northwest Marketing Resources, Inc.)

Plan Administrator Signature: _____ **Date:** _____

*This should be the employer or its designee. NMR, Inc. will provide administrative services, but will not be the Plan Administrator.

Referring Agent Information

Agent Name _____ Agency/Company _____

Address (No PO Boxes): _____

City, State, Zip: _____

Phone _____ Fax: _____ E-Mail: _____

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

FAX this completed form to NMR: (360) 754-1931

Mail with payment to:

PO Box 447, Olympia, WA 98507 ~ 800-565-0313