

HRAs and HSAs

Two vehicles for employers (ER) choosing to provide funding toward employee (EE) out-of-pocket costs (OOP)

HRA (Health Reimbursement Arrangement)

- **A employer sponsored**, self-funded health plan that supplements the VEHI health plan
- Contributions increase the Actuarial Value % (AV%) of the VEHI health plan. The final AV of the health plan depends on the amount of HRA funding provided by each ER
- **Implications of Increasing AV%.**
 - Continues historical practice of higher AV% plans for school employees when compared to the general Vermont population.
 - **Potential to continue to insulate employees from cost of health care** in general and future increases in health costs in particular.
 - Continues historical practice of premiums bearing the brunt of future increases in health care costs, and district picking up most of the additional cost.
 - As a member of VEHI, all member districts are sharing the cost of health care through a common premium rate; what one member does to increase AV % impacts all other members over time in regards to future premium rates.
- Employer “promise to pay”- **the ER is liable for full amount “promised,”** but not all funds may be needed.
- **ER typically retains unused funds.**
- **Requires a plan document**, is subject to COBRA, and amends the ER SBC (Summary of Benefits & Coverage) provided by VEHI.
 - **Numerous decision points will need to be collectively bargained.**
 - **Takes 60-90 days to set up HRAs** once application submitted with all decision points articulated.
 - **HRAs cannot cover costs that are incurred prior to the HRA being set up.** This has implications if contracts are not settled by fall 2017.
 - Changes to an HRA require amendment of Plan document, document can be amended once a year if needed.
- EE provides documentation to draw down available funds per the rules of the Plan
- **Greater administrative responsibility of ER.**
- **\$3.45 per account per month fee to administer** the plan through Health Equity.
- Employees enrolled in the VEHI Gold CDHP or Silver CDHP, who have an HRA, are no longer eligible for an HSA.
 - Can set up a post-deductible HRA and have EE remain eligible for an HSA.

HSA (Health Savings Account)

- **Only available to employees enrolled in the VEHI Gold CDHP or Silver CDHP.**
 - **EE must be enrolled** in a CDHP to be eligible **to contribute** to an HSA (or for an ER to contribute to an HSA on behalf of the EE).
 - Once funds are in the HSA, employees can withdraw to pay for qualified medical expenses even if they are no longer enrolled in a CDHP.
- **An employee-owned account**, which allows EE to set aside pre-tax dollars to pay for qualified medical expenses.
 - Funds contributed pre-tax, grow pre-tax, withdrawn pre-tax per IRS guidelines.
 - Funds may be contributed by EE and/or ER.
 - Annual contribution limits – combined EE and any ER funds (2017 limits are \$3,400 single/ \$6,750 family).
 - **Any funds contributed by ER belong to EE** regardless of whether or not they are used by EE.
 - Funds remaining in the HSA at the end of the calendar year remain with EE, but may EE contribute additional funds each calendar year enrolled in a CDHP.
- **Greater administrative responsibility of employee** – EE works within IRS guidelines.
 - Flexibility when funds are contributed and withdrawn.
 - Funds available for greater array of expenses than health plan OOP costs.
 - Funds remain with EE entire lifetime, transferred to beneficiaries upon death.
- **Is not a health plan, therefore does not increase the AV %** of the VEHI Health Plan.
- **Encourages employee awareness** of, and thoughtful engagement in, the cost of health care.
 - May help to slow the future increase of health care costs.
- **HSAs set up with Health Equity can be effective** on 1/1/2018 regardless of when the logistics are completed – **even if the logistics are completed after 1/1/2018.**
- **\$2.50 per account per month fee to administer** the plan through Health Equity.
- Employers who contribute to EE HSA should amend Section 125 document to reflect.