

TOPIC: Structure and Use of Health Reimbursement Arrangements (HRAs) **Presented by: Kim Kinnaird (Lawson)**

(~5 minutes per section)

What Are HRA Options?

- **Integrated**
 - Part of Medical Plan
 - Benefits given to all participants of the employer's medical plan
 - Doesn't have to be administered by the same administrator as the Medical Plan.

- **Non-integrated**
 - Doesn't require participation in the Medical Plan to receive benefits
 - Not permitted under ACA except for:
 - a. Retiree Only
 - b. Medicare Only
 - c. Spouse only
 - d. For Excepted Benefits (E.g. Dental, Vision)
 - e. QSEHRAs

Integrated HRAs: Benefits to the Employer for offering?

- Purchase of HDHP results in lower premiums (usually compared to renewal) and hopefully, cost of claims covered by the HRA are less
 - PPO plans with copays under the deductible versus QHDHPs*
 - The Shoebox Effect*
- Employer may gain some reporting
- Tax deductible contributions and reimbursements with no cap
- Roll overs of unused amounts permitted (but not popular)
- Self-Funding on training wheels

Integrated HRAs: How do they work for the Employer?

- Employer buys carrier HRA package
 - Cost of HRA claims are separate and often there is a separate administrative fee – do you include THOSE cost projections for your customers?*
 - Carrier-determined plan designs, often very basic

- Employer buys from an independent administrator
 - Employer determines expenses covered by the HRA and eligibility rules
 - Employer determines plan design

- Employer self-administers

- COBRA Participants ALSO receive this benefit. Premiums must be based on EXPECTED Cost* not maximum allowed.

Integrated HRAs: How do they work for the Employee?

- Two Plans Instead of One

- Debit Cards?
- Provider Submission versus The Employee Submission
- “The Shoebox Effect”?
- The Biggest Hurdle: Prescription Drugs
 - Buy a PPO with RX copays
 - Reimbursement of RX through the HRA
 - Secondary RX Pharmacy Benefit Manager (usually bills a per script fee ~\$5-\$7 each)

Integrated HRAs: Plan Design Ideas

- First Dollar Coverage – Bucket-O-Money Plans
- Deductibles and Coinsurance
- Copayments
- Coinsurance split of high deductible**
- Mirror Plans = to prior plan design

What % spend do you think you see?

- 75% - 100%
 - 35% - 50%
 - Expect \$500 PEPM and pay more for admin
 - 50/50 split – 25% - 35%
 - You’ll pay more for admin

How do you make projections?

- Pick Your Plan Design
- Assign Cost
 - Calculate Worst Case Scenario for Each Coverage Tier
 - Copayments?
- With a HDHP [share examples]
- With a PPO Plan [share examples]

Projecting Budget Numbers

- Renewal Premiums or ‘Comparable Plan Premiums’
- New Premiums for the High Deductible Plan
- Budget for the Plan Design Selected
- Projecting COBRA Rates

Evaluating Performance At Year End

- Review Example Reporting
- Lead up to Level-Funding or Self-Funding Discussions