

Health Reimbursement Arrangements (HRAs)

HRAs are authorized by the U.S Department of Treasury and were announced on June 26, 2002

A tax-free HRA must be funded only by the employer, not through employee salary reduction, and can provide benefits only for substantial medical expenses.

Benefit Consulting Group, Inc. can make this process easier for you and your company.

How HRAs work

- The employer selects a high deductible health plan and sets the benefit parameters for the HRA administration.
- **BCG, Inc.** prepares communication material for explanation to the employees.
- At the time of service, employees present their health insurance ID card and pay any co-pay or out-of-pocket expenses as they do now.
- If the employee's doctor or provider does not submit the medical expense to the insurance company, then the employee must do it to get the credit against the deductible.

- After employees receive the Explanation of Benefits from the insurance company, or any receipt for prescriptions, the employee submits the documentation to BCG, Inc for HRA claim processing.
- Allow the carryover of unused amounts to later years (i.e., the "use-it-or-lose-it rule" does not apply)
- Reimburse employees for the purchase of health insurance
- May allow former employees, including retirees, continued access to unused reimbursements



BCG, Inc. Offers

- Customized reporting
- Employee Education
- Designated Service Representation
- Call center 8:30a.m to 5:00p.m EST Monday thru Friday
- Free Direct Deposits
- Internet Account Access

BCG, Inc. includes service for:

- Defined contribution cafeteria plans
- Flexible Spending Accounts
- COBRA
- Group Life & Health Insurance

	FSA	HRA
Who owns it?	Individual/ Employee	Employer
Who funds it?	Typically funded by employee	Employer only (self- employed precluded)
How is it funded?	A set amount of pretax wages designated by the employee is deposited directly into an account	Employer reimburses employee when presented with a valid receipt
Is it a personal account?	Yes	It is an Arrangement, not an Account
Is it portable?	Unused funds must be spent by year's end (or by termination of employment by year's end), otherwise individual loses money	HRAs cannot be rolled over to a new employer. An employer is under no obligation to continue the arrangement after employee departure, however an employer may choose to continue reimbursing a former employee's expenses from the HRA
Can funds be used for non-medical expenses?	No, health portion of FSA only used for expenses defined under '213(d) of IRC	No, only expenses defined under '213(d) of IRC
What is the tax treatment?	Contributions to FSA are tax free and so reduce annual taxable income	Reimbursements to employee are tax free as long as they are used on qualified health care purchases

OUR MISSION

Benefit Consulting Group, Inc. desires to be acknowledged as the definitive resource for the design and administration of creative, cost saving employee benefit plans. Our goal is to earn and retain the trust and respect of our clients by providing the highest level of prompt, courteous and thorough service.

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Benefit

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**Health
Reimbursement
Arrangements**

HRAs

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