

Health Reimbursement Arrangement



*Especially designed for higher-deductible health plans,
including IRS Qualified High-Deductible Plans.*

mhmResources.com



MHM Resources LLC
a WageWorks company

HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

As employers search for that “silver bullet” to reduce their growing healthcare costs, many are turning to high-deductible health plans (HDHP). Why? Because health plans with higher deductibles mean lower premiums and savings for you. But for employees, it means more out-of-pocket expenses.

To help take some of the sting out of higher deductibles, many employers are coupling their employer-sponsored health plan with a “Health Reimbursement Arrangement” (HRA) to pay a portion of the expenses the employee must incur before meeting their deductible.

Here’s how an HRA works with your health plan.

1. **Select a high-deductible health plan** that’s best for your group.
2. **Decide how much you wish to allocate** into a Health Reimbursement Account for each employee. You can choose the same amount for everyone or more for families. The choice is yours.
3. **Design an HRA that is best for you.** You can design a health reimbursement account that pays only prescriptions and/or medical expenses that are subject to the deductible. Or, you can choose a more comprehensive plan that pays for items like over-the-counter drugs, contact lenses, orthodontics, prescribed weight loss and smoking cessation programs, etc. Again, the choice is yours.

Some employees may need more than what you choose to allocate in an HRA for healthcare expenses. You can help employees further by allowing them to make regular pre-tax deductions into a separate account called a health Flexible Spending Account (FSA).

Our plan consultants are available to work with you to create a plan design that will meet your objectives. Please feel free to call us to discuss your questions. Our toll-free number is 877-887-1080.

Questions to guide you in designing a plan that’s best for you and your employees:

- ▶ How much should I allocate for each employee and their family?
- ▶ Would I like to recoup any HRA allocations that employees don’t use during the year, or allow employees to accumulate unused allocations from year to year?
- ▶ Do I want to maximize my savings by limiting the expenses paid from the HRA to only a portion of the prescription medicines and medical expenses that fall below the deductible?
- ▶ Do I want to give employees the ability to pay for items through the HRA that a typical health plan does not cover? (Items like over-the-counter drugs, eyeglasses, contact lenses, orthodontics, etc.)
- ▶ Do I want my employees to elect to make pre-tax contributions to a health FSA?



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Questions? 877-887-1080

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HEALTH REIMBURSEMENT ARRANGEMENT OPTIONS

take care® *Select HRA*

With the **take care *Select HRA*** your employees can pay for a portion of their healthcare services that fall below the deductible.

When you allocate money to a **take care *Select HRA*** for an employee, you select which expenses it will cover¹. For instance, you may want the allocations in the HRA to pay only prescription and/or medical expenses that are subject to the deductible in your health plan. You decide on the amount you want to allocate for each employee or family.

How employees use the take care *Select HRA*

1. The Prescription Benefit card for prescription medications. Employees and their dependents will receive a **take care** Prescription Benefit card to pay prescribed medicine co-payments. This is an IRS-approved Visa® card that is limited to purchasing only prescribed medicines at over 35,000 IRS-compliant retail locations across the country and will not allow the purchase of other items sold at these retailers.

At the employer's option, the card may be programmed to pay for over-the-counter medicines in addition to prescriptions.

2. Pay me back. For the employee responsibility of the medical deductible. After an employee, or a dependent, sees a medical provider, the employee will need to submit a copy of an Explanation of Benefit (EOB) or a receipt for the services provided, along with an HRA claim form, to us. If the EOB or receipt includes amounts that fall under the employee's health plan deductible, and if a balance remains from the employer's allocation to the HRA, we will send a payment for the deductible amount to the employee by check or direct deposit. The employee is responsible for paying the healthcare provider.



take care® *Total HRA*

With the **take care *Total HRA*** your employees can pay for a portion of their healthcare services that their health plan does not pay.

When you allocate money to a **take care *Total HRA*** for employees, it is available to pay for **all** qualified healthcare services that your health plan does not cover. So, when an employee needs to pay for items like co-pays, prescriptions, over-the-counter medicines, doctor visits, checkups, dental and vision services, and elective services like braces for the kids or laser eye surgery, the money is available. You will decide on the amount you want to allocate for each employee or family.

How employees use the take care *Total HRA*



1. The take care card – it's the easiest way to pay. This special Visa® card is the most convenient way for employees to use the money in their **take care *Total HRA***.

▶ To purchase prescriptions and over-the-counter medicines. At 35,000 IRS-compliant retail locations, including drug stores, grocers, and superstores, the **take care** card automatically knows which items are IRS qualified and will only pay for prescriptions and over-the-counter medicines. The card will not pay for other items sold at these retailers.

▶ At doctors, dentists, hospitals, vision centers, and medical equipment suppliers. The **take care** card is accepted at healthcare providers to pay for services and supplies. Since these providers may also provide services that are not qualified under IRS guidelines (i.e. teeth bleaching, cosmetic surgery, and non-prescription sunglasses), your employee may be asked to submit copies of receipts and invoices for further verification.

2. Pay Me Back. When employees don't use the card to pay qualified expenses, they can file a claim to request a reimbursement from their **take care *Total HRA***. Employees will go online to complete a claim form and then submit receipts to us for approval. Claim forms are reviewed daily. Once approved, reimbursements will be sent to employees by check or direct deposit.

¹ Employer allocations fall under rules pertaining to IRC §105 Health Reimbursement Arrangements.

SAVE MORE WITH THESE OPTIONS

Employees may need more than what's allocated in an HRA to pay healthcare expenses.

You can designate a maximum amount that each employee may voluntarily elect to set aside through pre-tax payroll deductions to a health Flexible Spending Account² (FSA) to pay healthcare expenses that are not reimbursed by your health plan or not paid from what you've allocated to the employee's HRA.

Employee FSA dollars cover IRS qualified medical expenses including, but not limited to, vision, dental, prescriptions and over-the-counter medications, routine services and corrective items like orthodontics, eyeglasses, contact lenses, laser eye surgery, and prescribed smoking cessation and weight loss programs. Your employee is responsible to pay providers and can use the **take care**[®] flex benefits card to pay qualified FSA expenses or file a claim with us and be reimbursed for qualified expenses by check or direct deposit.

Flexibility for you and your employees

Whether you're allocating dollars to an HRA for employees and/or employees are making voluntary pre-tax contributions to an FSA, the IRS has established very flexible rules that enable you to design a plan that is best for you and your employees.

- ▶ You decide how much you want to allocate to an HRA for employees and how much, if any, employees can contribute to an FSA. The IRS sets no dollar limits on annual contributions made by employers or employees – the employer makes those decisions.
- ▶ Employer allocations to an HRA are accounted for separately from voluntary employee contributions to an FSA.
- ▶ Employer allocations that are reimbursed from the HRA that are used are tax deductible. Employee contributions to an FSA are made through voluntary pre-tax payroll deductions.
- ▶ The money that is paid out for qualified medical expenses is tax free to employees.
- ▶ Unused employer allocations to an HRA will expire at the end of the plan year, unless you choose to roll them forward. There is no IRS requirement to roll forward any portion of the employer contributions to the HRA. It's up to you.
- ▶ Unused employee contributions to the FSA can be used for expenses incurred up to 75 days after the plan year end. This is an IRS option that you select and one that employees will appreciate.

²Employee voluntary elections fall under IRC §125 Flexible Spending Accounts.

HOW TO GET STARTED

Simply complete the **take care**[®] Account Application and we take care of the rest.

Plan setup and ongoing administration is easy with our turnkey service

- ▶ **Plan Consulting.** Upon receiving your application, a plan specialist will contact you about plan options.
- ▶ **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 new updated plan document.
- ▶ **Employee Account Management.** Contributions are collected for each pay period and credited to employees' account balances. Daily services include account balance tracking, claims adjudication, and expense payment by check or direct deposit. A flex benefit card option payment is issued at no additional charge.
- ▶ **Participant Assistance.** Employees have 24-hour access to their accounts: online, through a toll-free interactive voice response line, and daytime access to our toll-free call center. Employee statements are included on claim payment stubs, on demand, and online.
- ▶ **Annual Plan Compliance.** Services include reconciliation and reporting of employee account balances, plus compliance with discrimination testing requirements. A "signature-ready" IRS Form 5500 and any plan amendments are provided, if necessary.

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Questions? 877-887-1080

TAKE CARE[®] ACCOUNT APPLICATION

Important choices for your take care[®] accounts

- How much would you like to allocate to an HRA for each employee during the year?
Employee only \$ Family \$ Other \$
- Would you like to make the entire annual employer HRA allocation available on the first day of the year, or monthly?
 First day of the year Monthly, pro-rata Other
- Some employees may need to budget more in a healthcare take care account than you choose to allocate from employer funds. What annual dollar limit do you want to set for employees that wish to make voluntary pre-tax payroll deductions to an FSA account? \$
- Funds allocated by employers to an HRA account will be accounted for separately from voluntary employee FSA contributions. You can also restrict employer allocations to pay certain types of expenses.* For example, you can set up the employer allocation so it will only pay for prescriptions, co-pays, and the health plan's deductible expenses, while items like over-the-counter medicines and supplies, contact lenses, eyeglasses, laser surgery, orthodontics or prescribed health-improvement programs would be paid from the dollars employees elect through voluntary pre-tax payroll deductions.

You can also choose which account will be first to pay certain types of expenses. For example, you may want employee FSA funds to start paying pharmacy expenses only after employer HRA allocations are completely used. (Some restrictions may apply with the take care[®] card.)

Healthcare Expenses (check ✓ your choices)	Pay from employer HRA dollars	If employees contribute to an FSA, which account pays this expense first?
Prescriptions	Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> Employer HRA <input type="checkbox"/> Employee FSA
Medical expenses subject to the deductible of your health plan	Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> Employer HRA <input type="checkbox"/> Employee FSA
Over-the-counter medicines and supplies	Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> Employer HRA <input type="checkbox"/> Employee FSA
Other IRS qualified medical, dental, vision fees, and healthcare products	Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> Employer HRA <input type="checkbox"/> Employee FSA

- Unused *employer* HRA allocations will expire at the end of the plan year unless you choose to roll them forward. For example, to encourage employees to plan ahead and budget wisely, you might designate that a portion of the unused accumulated employer allocation (say 50%) roll forward to the next year. However, there is no IRS requirement to roll forward any portion of the employer contribution that is not used.
Will unused employer contributions be carried over to the next year and be available for expenses incurred in the following year?
 Yes No If yes, what percent? % up to a maximum amount of \$ or unlimited?
- Unused *employee* FSA contributions can be used for expenses incurred within 75 days after the plan year end. This is an IRS option that you select and one that employees will appreciate.
Will unused employee contributions be carried over to the next year and be available for expenses incurred within 75 days after the plan year end? Yes No

For a FREE consultation call 877-887-1080

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TAKE CARE® ACCOUNT APPLICATION

Required information about your group

1. Legal Name of Company Sponsoring Plan _____
2. Business Entity Type C Corporation Sole Proprietorship Partnership Not-For-Profit
 S Corporation Limited Liability Company Government Entity or Church
3. Legal Name(s) of Affiliated Company(ies) that will be covered by this Plan: _____
4. Principal Business Activity _____
5. Federal Employer Identification Number (Must be 9 digits.) -
6. Primary Contact Person _____ Title _____
Phone _____ Fax _____ E-mail _____
Secondary Contact Person _____ Title _____
Phone _____ Fax _____ E-mail _____
7. Address (No PO Boxes) _____ City/ST/Zip _____
8. Effective date of Healthcare Account Plan(s)
A. A new plan effective as of (date) _____ B. Plan year end _____
C. Select plan type to be administered (check only one box). *Note: If both an HRA and FSA are administered, fees quoted include both plans.*
 take care® Select HRA take care® Total HRA
 take care® Select HRA and FSA take care® Total HRA and FSA FSA only
D. An amendment and restatement of a previously established HRA and/or FSA plan of the employer.
(1) This amendment and restatement is effective as of (date) _____
(2) Effective date of the original plan _____
(3) Plan number (consult last Form 5500, if filing was required) _____
9. Employer's Principal Office – This plan shall be governed under the laws of the State Commonwealth of _____
10. Total Number of Employees _____
11. Payroll is Prepared In-house Outsourced (specify payroll company) _____

PRICING AND DELIVERY

12. Fee for a New Plan Setup and Restatement: \$500
13. Fee for Participant Services: \$5.25 per month/participant – includes flex benefit card
14. Fee for Annual Plan Compliance: \$50 per month
15. Enrollment Kit is shipped UPS Ground within five business days of receiving completed application and setup fee

PAYMENT OF SETUP FEE

16. Check enclosed for \$ _____ (payable to MHM Resources LLC)
 Charge my credit card for \$ _____ VISA MC AMEX Discover Expiration Date: _____
Credit card number: _____ Name on card: _____
17. Employer Signature: _____ Date: _____

TO BE COMPLETED BY REFERRAL SOURCE

- Name of Referral Source _____ Affiliated Company _____
Address (No PO Boxes): _____ City/ST/Zip _____
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 completed application to 877-782-8889

Questions? Call 877-887-1080

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IMPORTANT INFORMATION ABOUT TAKE CARE[®] PLANS

Plan requirements

- ▶ Your group can start a take care account at any time. Plus, you can have a short coverage period to coordinate with other benefits.
- ▶ The plans must be in writing and a Summary Plan Description must be distributed to each plan participant.
- ▶ The plan may not discriminate in favor of highly compensated employees.
- ▶ The plan may, but is not required to, cover terminated or retired employees.
- ▶ COBRA continuation must be offered to HRA and FSA participants who experience a qualifying event.
- ▶ Generally, employers maintaining HRA and/or FSA plans that cover more than 100 participants must file an IRS Form 5500 each year.
- ▶ Certain owners may not participate as employees in the **take care** plans. These would include sole proprietors, partners in partnerships, LLC members, or 2% shareowners in an S-Corp. As an alternative, these individuals may qualify to establish an individual Health Savings Account (HSA).

Funding and paying expenses with take care accounts

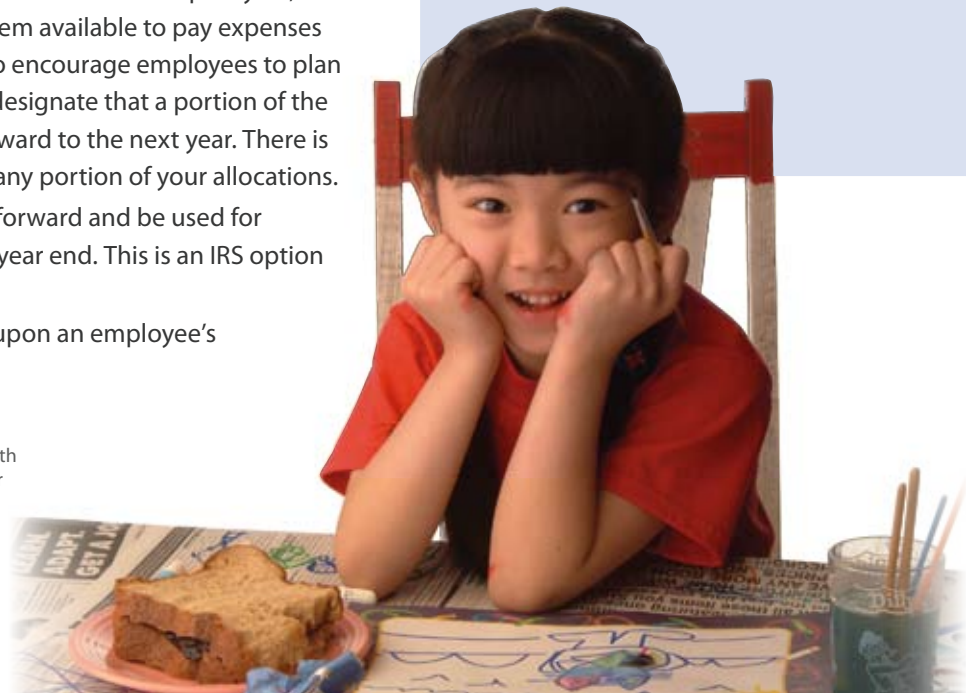
- ▶ Employer HRA allocations will be accounted for separately from voluntary employee FSA contributions. This is in accordance with IRS[†] code rules that provide you with flexibility to design a plan that's best for your group.
- ▶ HRA accounts can cover all qualified expenses not covered by a health plan or they can be restricted to cover only certain benefits like prescriptions or co-pays and health plan deductibles. This is a plan design feature the employer must select.
- ▶ Employers are required to pay eligible healthcare expenses only to the extent of an individual's FSA election.
- ▶ Eligible expenses must be incurred during the participant's period of coverage, but may be paid at a future date. This is a plan design feature.
- ▶ Unused employer HRA allocations will expire at the end of the plan year, unless you choose to roll them forward and make them available to pay expenses incurred in the following year. For example, to encourage employees to plan ahead and use the money wisely, you might designate that a portion of the unused employer allocation (say 50%) roll forward to the next year. There is no IRS requirement, however, to roll forward any portion of your allocations.
- ▶ Unused employee FSA contributions can roll forward and be used for expenses incurred within 75 days of the plan year end. This is an IRS option the employer selects.
- ▶ The HRA and/or FSA cannot be "cashed out" upon an employee's termination or retirement.

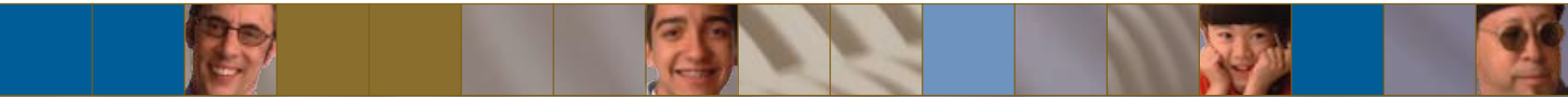
Insurance premiums and take care accounts

- ▶ Health plan premiums may be paid from HRA and/or FSA accounts. This is an optional design feature and is not required. However, insurance with a return-of-premium feature cannot be paid from an HRA or FSA account.
- ▶ Long-term care premiums and long-term care expenses can be paid from employer allocations to an HRA. This is an optional design feature and is not required. This option is not available for employee FSA contributions.
- ▶ Life insurance premiums cannot be paid from an HRA or FSA account.
- ▶ Disability premiums can be paid from an HRA or FSA account although most tax advisors recommend against it due to the adverse tax consequences.

[†] Employer allocations fall under rules pertaining to IRC §105 Health Reimbursement Arrangements and employee elections fall under IRC §125 Flexible Spending Accounts.

Questions? 877-887-1080





YOUR SERVICE PROVIDER

MHM Resources – Your Total Flexible Benefits Solution.

As a leader in flexible benefits and consumer-driven health, MHM Resources is dedicated to empowering employers and individuals to get the most from their flexible benefits program. That's because of our...

Experience... Innovative technology... Industry Leadership

MHM Resources has provided flexible benefits technology and support systems for over two decades. You might remember us as a division of Mayer Hoffman McCann, the independent CPA firm that founded our company. In 1998, the firm spun off MHM Resources so we could focus exclusively on flexible benefit plans.

Through years of experience, we constantly interact with the top administrators in the country. This allows us to identify their best practices and integrate the "best of the best" into our system.

Plus, for over twenty years, we've provided turnkey flex administration for thousands of groups. So when you talk with the more than 1,000 third-party administrators or the 35 insurance carriers who have partnered with us, they'll tell you the same thing: "you can count on MHM."



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a WageWorks company

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