



Administrative & Retirement Solutions, Inc.

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Health Reimbursement Arrangement (HRA)

Questions and Answers for Employees

What is a Health Reimbursement Arrangement?

A Health Reimbursement Arrangement (HRA) is an Employer funded “accident or health plan” (Plan), that (i) provides individual accounts for reimbursing employees, retirees and their dependents for eligible medical expenses and (ii) permits any unused portion of the account at the end of the year to be carried forward to the next year. Unlike flexible spending accounts, there is no annual “use it or lose it” requirement.

What are the tax implications of a HRA?

Are contributions to a HRA taxable to Participants?

Participants are not taxed on Employer contributions. Internal Revenue Code (“IRC”) Section 106 provides tax-exclusion for contributions an Employer makes to a HRA. Therefore, Participants are not taxed on eligible claims paid from a HRA.

Are withdrawals from a HRA taxed?

No. Assets used to pay for eligible medical expenses are not taxed. IRC Section 105 provides tax-exclusion for amounts received as reimbursement of health expenses.

How do I file my tax return when I have taken a distribution from the HRA?

Expense reimbursements under HRAs for eligible medical expenses are not reportable to the IRS. No other distributions from the HRA are allowed and therefore, there is no IRS reportable event.

Who is eligible for a HRA?

Eligibility requirements are as established by the Plan. For information specific to your Employer’s HRA plan, please refer to your *Plan Highlights*.

A HRA may have a minimum age and/or service requirement.

Unlike Health Savings Accounts (HSA), there is no requirement that a Participant in a HRA also participate in a High Deductible Health Plan.

A HRA may provide reimbursements for active Participants and/or former Participants after termination of employment or retirement.

Are there any fees associated with participation in the HRA?

Claim processing fees may apply. For information specific to your Employer’s HRA plan, please refer to your *Plan Highlights*.

What are the rules for making contributions to a HRA?

How are contributions determined in a HRA?

The amount and frequency of Employer contributions are determined by the Plan.

There are no Internal Revenue Code (IRC) limits to the amount that the Employer may contribute. The Plan, however, may place limits on contributions.

Can I make contributions to my HRA?

No. The IRS has recently provided HRA guidance that prohibits contributions other than Employer contributions to a HRA.

How do I get access to the assets in my HRA account?

Assets in a HRA may only be used to reimburse an eligible plan Participant for eligible medical expenses.

Who is an eligible plan Participant?

An eligible Participant is an Employee, a previous employee, the spouse or dependent of an employee or previous employee who has a vested benefit under the Plan. (See your Employer's plan document for a detailed explanation of eligible Participant.)

Can a HRA have a vesting schedule?

Yes. It is possible your Employer implemented a vesting schedule. Assets in your HRA account are only available to pay claims once you have satisfied the vesting requirements and reimbursement eligibility of your plan. For information regarding your Plan's vesting schedule, please refer to your *Plan Highlights*.

How often will I receive statements of account?

You will receive hardcopy statements of account on a quarterly basis.

How can I access information about my account?

You may access your account information online at www.midamerica.biz or you may contact MidAmerica directly at 1-800-430-7999.

What is an eligible medical expense?

Eligible medical expenses are defined under Section 213(d) of the Internal Revenue Code. A list of eligible medical expenses is included in your initial Participant welcome kit. IRS Publication 502 can also be used as a guide. However, there may be instances where the information in IRS Publication 502 does not apply to Health Reimbursement Arrangements.

How do I submit a claim for reimbursement?

Simply complete and submit to MidAmerica a HRA claim form along with the appropriate documentation for processing. The claim form can either be mailed to MidAmerica at ATTN: HRA Department, 402 South Kentucky Ave., Suite 500, Lakeland, FL 33801, or faxed to 863-688-4200.

How do I obtain a claim form?

You may call MidAmerica's customer service line at 1-800-430-7999 to request a form to be mailed to you. We also include a claim form in your initial Participant welcome kit upon receipt of your first contribution into the program. Lastly, you can obtain HRA claim forms on our website at www.midamerica.biz. Click on Participants, Health Reimbursement Arrangement and Download Forms.

What documentation is required to "substantiate" a claim?

MidAmerica's HRA claim form provides you with detailed instructions as to what is acceptable documentation. IRS rules require any claim to be substantiated and supported with backup documentation in order to be reimbursed. The backup documentation must include the date of service, description of services rendered, for whom the services were rendered, and the dollar amount of the services rendered. Any third-party documentation including this information will suffice. Here are some common examples of acceptable documentation:

- Explanation of Benefits (EOB) statement from the insurance carrier. (The summary of services rendered sent out by the insurance company after services are provided.);
- Co-pay receipts if you are covered under a managed care or prescription drug program;
- Itemized bill that provides the name of provider, patient, cost, date, and description of service.

How often are claims processed?

Claims are processed within 7-14 business days (pending approval).

What if I have a monthly recurring expense, such as monthly health or dental insurance premiums?

There are specific IRS rules for recurring claims, which must be followed in order to take advantage of this HRA benefit. MidAmerica must receive documentation each and every month to process the claim; however, the documentation required is relaxed after the initial set-up of the recurring claim. Claim forms are included in your initial welcome kit as well as on our website at www.midamerica.biz. The claim form also provides additional instructions as to what documentation is acceptable.

What are examples of initial proof to set up a recurring distribution?

When requesting a recurring claim, you must submit documentation that contains the following information:

- Completed & signed HRA “recurring” claim form
- Date of Service (or term of the agreement)
- Services Rendered
- Recipient of the Services Rendered
- Cost of the Service

What are examples of documentation needed for subsequent months?

Once the initial claim has been setup, there is a decreased burden of proof for the subsequent payments. Therefore, you will only need to send either a proof of payment (cancelled check showing that it was cashed [both sides of check], bank statement, etc.) or proof that the claims were incurred (letter from insurance company showing the policy still in force, monthly statement, etc.).

Can I get reimbursed in advance for medical expenses that I have not yet incurred?

No. The IRS prohibits paying claims prior to the claim being incurred. Therefore, you would need to wait until a particular expense has been incurred prior to submitting a claim for reimbursement. Per IRS regulations, the term “incurred” refers to the date you or your eligible dependent is provided with the care that gives rise to the medical, dental, vision, prescription, or other eligible expense. This date could be different than the date you are billed or pay for the expense. Once the expense is incurred, you would then use any of the above referenced examples as your documentation to support your claim.

What happens if one of my claims is denied?

MidAmerica’s HRA distribution department will attempt to contact you by phone at least two times in an effort to obtain appropriate documentation or get clarification on any questions regarding the claim. If we are unable to reach you directly, we will process the portion of the claim that is eligible (if any) and send you a letter notifying you that part of your claim was not eligible.

Can I use my HRA to pay for medical expenses I incurred prior to becoming a member of the plan?

No. A HRA may not reimburse a medical care expense that is attributable to a deduction allowed under §213(d) for any prior taxable year. Additionally, a HRA may neither reimburse a medical care expense that is incurred before the date the HRA is in existence nor reimburse a medical care expense that is incurred before the date a Participant first becomes enrolled under the HRA.

What happens to the assets in my account at death?

If a spouse or eligible dependent remain, they continue accessing funds for eligible purposes. If there is no Participant, surviving spouse, or dependent, accounts remaining can be used to reimburse eligible medical expenses and premiums, not previously submitted on their behalf. If an account balance still remains, according to the Plan, account balances are either forfeited to the Employer or re-allocated amongst the remaining plan Participants.

If I leave my Employer can I move my account to my new Employer?

No. However, should you be vested in the Plan, you will be able to submit claims against the assets in your account. The account would continue to reside in the trust your Employer established to hold the assets.



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