

The HRA Newsletter

MONDAY, MAY 31, 2011 – VOL. II

MESSAGE FROM WES COMPTON, PRESIDENT OF MIDAMERICA

MidAmerica is pleased to provide our second issue of the HRA Newsletter for our Health Reimbursement Arrangement clients.

This newsletter will become a regular piece of correspondence outlining developments in the marketplace, discussing changes and enhancements to our service offering, and answering frequently asked questions. We hope that you find it useful and encourage your comments and suggestions.

IRS AUDIT ALERT

Over the past couple of years, we continue to notice an increase in IRS audit of HRAs, Special Pay Plans, and combination HRA/Special Pay Plans. The primary focus of the audits is two-fold;

- **Constructive Receipt-** The IRS is verifying that participants do not have individual choice between the HRA, Special Pay and/or cash, and that different nondiscriminatory classes of employees are being treated uniformly by classification. This should serve as a reminder that allowing choice can potentially subject all payments to taxation. It is very important to document how classifications are selected and ensure that all within a class are treated uniformly. In an effort to assist and remind our clients of this, we have updated our data request forms to reinforce that the rules are followed.
- **Union and other Contracts-** The IRS is verifying that contract language is consistent with the actual, usually Board approved, practice of depositing contributions into the HRA and/or Special Pay plan. It is very important that there is not even the appearance that there could be a cash option when funds are intended to be deposited into the plan.

NEW DATA REQUEST FORM

We have updated our data request form to include important disclosures about constructive receipt. In the future, please use this form when submitting data to us. The form is available on our website at:

www.midamerica.biz/employers/health-care/health-reimbursement-arrangement/health-reimbursement-arrangement-forms.

NEW MEDICARE SECONDARY REPORTING OBLIGATION

Effective October 1, 2010, the Centers for Medicare and Medicaid Services required HRAs to begin reporting participant information to ensure that the Medicare and Medicaid are properly paying secondary to other available coverages. The first quarterly reporting period will be October 1 through December 31, 2010.

Reporting must be made for all actively employed HRA participants who are Medicare eligible and possibly certain spouses and dependents. Please note that Retiree Only HRA's generally are not required to report.

Recently, we have received calls from Medicare beneficiaries reporting that their Medicare claims have been denied as Medicare is considering HRA the primary payer. In researching the participant concerns, it was realized that those participants affected had already separated from service with the Employer.

As a result, we are requesting that Employers begin to notify MidAmerica when active participants separate from service. Please send an email to info@midamerica.biz to report any change in employment status for Active HRA participants. Additionally, MidAmerica will be sending an annual data request to ensure we have the most current employment status information. By ensuring the employee's employment status is correct in our administration system, terminated or retired participants will not be incorrectly reported to Medicare.

Should you receive a call from a Medicare Beneficiary who is separated from service and has received a denial from Medicare, please contact Emily Kopp at 1-800-430-7999 ext. 165 or at Emily.kopp@midamerica.biz. We will contact Medicare directly to restore Medicare as the primary payer.



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