

MidAmerica Health Care Reform Bulletin

APRIL 2013 – VOL. II

THE STATUS OF VARIOUS HRA PLAN DESIGNS AS A RESULT OF ACA GUIDANCE

With the events of 2012 solidifying the permanency of the Affordable Care Act (ACA), the various governmental agencies have been delivering guidance at a dizzying pace. The guidance was largely positive for various HRA plan designs. In fact, the ACA may provide even more incentive to utilize HRAs. With some careful plan design, HRAs are likely to play a more predominant role in employer benefit offerings.

Retiree Only HRA

In an FAQ issued by the Department of Labor, retiree only medical plans were exempted from many of the rules of the ACA. As a result, Retiree Only HRA plans may continue to operate as they have in the past. It is important to note that in order for a plan to be considered retiree only, the plan must have no more than two participants who are active employees. Therefore, we will be reviewing all HRAs during the next couple of months to determine if plans contain both active and retired employees. Those that do will undergo a plan document update which will separate the HRA into two plans: one for active and one for retirees only. It is also important to note that the determination of employee status is contingent on when the individual has access to the funds in the plan. Thus, employees who receive contributions while active but cannot access funds until retirement will not count as active employees. Therefore, this will still be considered a Retiree Only HRA.

Active Employee HRA

Based on the regulations contained in the ACA, active employee HRAs will have two separate classifications: Integrated HRA and Stand-Alone HRA.

Integrated HRA

An integrated HRA is a plan used in conjunction with a major medical insurance plan to assist employees with the cost sharing aspects of the major medical insurance plan. A typical integrated HRA design would be used to fund a portion of the deductible or out-of-pocket maximums. As long as the major medical insurance plan the HRA is integrated with satisfies the requirements of the ACA, the HRA will as well.

Stand-Alone HRA

The ACA created Section 2711 of the Public Health Service Act which prohibits group health plans from establishing lifetime or annual limits. Unfortunately, HRAs by design impose annual limits by their very nature. As a result, stand-alone HRAs may need to be frozen at the end of 2013. We will be reaching out to all employers who currently utilize stand-alone HRAs shortly to discuss options. As well, we are hopeful additional regulations may be issued to allow this plan design.

What questions or concerns do you have about the
Affordable Care Act's impact on you?

We invite you to email Trent at trent.teesdale@midamerica.biz



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