FLEXBANK ADMINISTRATORS

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Employer HRA Administrative Guide

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1250 W. Dorothy Lane ~ Suite 107 ~ Dayton, OH 45409 ~ Free: ***888.677.8373*** *Phone: 937.299.5515 ~ Fax: 937.299.5609*

Welcome to FlexBank

We want to first, and most importantly, thank you for the opportunity to administer your benefit. It is our number one priority to build a strong partnership with you and to provide top-notch customer service to you and to your employees.

This guide highlights many of the rules and regulations you must follow to keep your plan compliant.

Enrolling New Employees

Each new participant should be given a copy of the:

- ✓ HRA employee brochure (it includes a claim form),
- ✓ Summary Plan Description (SPD) and any subsequent amendments,
- ✓ Summary of Benefits and Coverage (SBC), and
- ✓ Direct deposit authorization should the participant 1) prefer to receive reimbursement electronically vs. a check or 2) you may require reimbursement via direct deposit (no paper checks permitted), and
- ✓ FlexBank.net employee login instructions.

Brochures are available electronically at no cost.

You must communicate to FlexBank who is enrolled, either via paper enrollment form or via our easy to use employer portal (instructions later in this guide).

CMS Reporting & Completion of the HRA Eligibility Form

FlexBank is required to gather information from HRA plan sponsors and plan participants to help the Centers for Medicare and Medicaid (CMS) identify situations in which the group health plans are (or have been) primary to Medicare and to report that information to CMS. FlexBank will gather and report the requested data to CMS on your behalf where required.

FlexBank requests this form in two situations:

1. If your HRA benefit is $5,000 or more per individual, each HRA participant is required to complete the HRA Eligibility Form. The information requested is required both by FlexBank and by the Centers for Medicare and Medicaid (CMS). Additional HRA Eligibility / Termination forms may be obtained from our web site at www.FlexBank.net, click on “Employers” then “Forms and Brochures”.

NOTE: The penalty for failing to report the required data elements is $1,000 per day per person for which data should have been reported.

2. FlexBank also requires that this form be completed for mid-year enrollees regardless of the HRA benefit amount. For new enrollees, you may enter the information via the FlexBank.net employer portal.

Summary Plan Description (SPD) Distribution Rules

The Department of Labor (DOL) requires the plan administrator (usually the employer) to automatically distribute the summary plan description (SPD), free of charge, to the plan participants and others who are participating in the plan. The DOL says the employer can mail or hand out the SPD to the plan participants. However, the DOL requires the employer be able to prove that the SPD was distributed. Therefore, you should document that you did, in fact, distribute the SPD. If there are subsequent changes made to the plan and you chose to prepare a Summary of Material Modification (SMM) rather than issue a new SPD, the same distribution rules apply to the SMM as to the distribution of the SPD.

The DOL also has approved the electronic distribution of certain documents including SPDs. The employer has to comply with these four requirements if you want to distribute the documents electronically:

1) The employer must take appropriate and necessary measures to ensure that the system for furnishing the documents results in actual receipt by the employees (such as through the use of a return - receipt electronic mail feature or periodic reviews or surveys by the plan administrator to confirm the integrity of the delivery system);
2) The employer must furnish the documents in a manner consistent with the style, format and content requirements applicable to the specific document;
3) The employer must, at the time the electronic document is furnished (each time electronic disclosure is used), notify each employee through electronic means or in writing (clearly and conspicuously) of the document that is being electronically furnished and the significance of the document;
4) The employer also must notify the employees (each time electronic disclosure is used) of their right to request and receive a paper copy of the document and that the copy will be provided free of charge.

Electronic Disclosure Safe Harbor Extends to Two Categories of Individuals

Different rules apply depending on whether or not the employee has work-related computer access.

I. Employees with Work-Related Computer Access

An employee is considered to have work-related computer access if:

A. They must have the ability to effectively access documents furnished in electronic form at any location (including the employee's home) where the employees are reasonably expected to perform their duties as employees; and

B. Access to the employer's electronic information system must be an integral part of their employment duties. So, for example, simply having a computer kiosk available does not constitute work-related computer access.

If the employee has work-related computer access, as defined above, the employer can distribute the documents electronically without the employee's prior consent.

II. Employees Without Work-Related Computer Access

If the employee does not have work-related computer access then the employer cannot distribute the documents electronically unless:

A. The employee has provided an address for receipt of the document and has consented electronically in a way that demonstrates his or her ability to access information in the electronic form being used; and

B. The employee's consent statement must: (i) identify the document to which the consent applies, (ii) explain that consent may be withdrawn at any time without charge and provide the procedures for withdrawing or updating address or other information, (iii) explain the employee's right to request a paper copy of the electronically furnished document and that the paper version will be free of charge, (iv) identify any software and hardware requirements to access and retain the identified document(s) that will be electronically delivered; and

C. A revised consent form must be provided any time the hardware or software requirements change, and the employee must provide renewed consent.

As a practical matter, it is very difficult to comply with the safe harbor and to distribute documents electronically if the employee does not have work-related computer access. Therefore, we suggest sending the documents, via first class mail, to those employees without work-related computer access. In short, you should be able to demonstrate that you did, in fact, distribute the SPD in a timely manner. Therefore, it is important to prove the fact you distributed the SPD to each person and you should retain that proof for at least eight years.

SPD & SMM Distribution Time Frames From Effective Date of the Change
30 days – For instances where the employee has requested a copy of the SPD in writing.
60 days – For plans where there has been a reduction in benefits.
90 days – For a new plan and distribution to newly covered employees.
210 days – For plans that have been restated without a reduction of benefits.

FlexBank does not offer legal advice. Please consult with your benefits attorney on the comprehensive rules re SPD distribution.

Tax Benefits

Employees: Reimbursements from an HRA are NOT taxable for FICA, Medicare, Federal, State and Local taxes (in Ohio).

Employers: The plan sponsor may tax deduct claims and administrative fees that are paid within the taxable year.

Form of Company Ownership is Important

All employees that meet the eligibility requirements can participate in a Section 105(h) HRA plan.

Owners: Only owners who are also employees of a "C" corporation may participate in an HRA. Sole proprietors, partners within a partnership, owners of an LLC (filing as an S or a partnership), owners of an LLP and more than 2% owners of an S-Corporation are prohibited from participating.

Owners' Family Members: Rules of attribution apply to S corporations, thus more than 2% owner's spouses, parents, children and grandchildren may not participate. Family members of C corporations, sole proprietors and partners in a partnership may participate in the plan.

NOTE: If the form of ownership changes during a plan year, employers must advise FlexBank of this change. As an example of the importance, an individual who becomes or ceases to be a more-than-2% shareholder during the course of a Subchapter S corporation's taxable year is treated as a more-than-2% shareholder for the entire year. This "entire-year" rule must be taken into account when determining the eligibility of Subchapter S shareholder-employees to participate and has the potential to result in an individual being retroactively disqualified from participating in the plan.

Claim Reimbursement

FlexBank reimburses within one business day of receiving an employee's paperwork! Participants may submit their claim form and documentation to FlexBank for reimbursement by:

Mail: 1250 West Dorothy Lane, Suite 107, Dayton, OH 45409
Fax: 937.299.7992 ~ 888.677.9373
Scan/email: Claims@FlexBank.net
Mobile: http://www.FlexBank.net/m/

Please encourage participants to call our office if they have any questions about eligible expenses as well as the documentation they need to submit with their claim.

FlexBank offers reimbursement either via check, direct deposit or debit card (see "Debit Cards - Optional Feature" in this Guide). If an employee would like to have reimbursements directly deposited into their personal bank account, they must complete a direct deposit authorization.

FlexBank.net

FlexBank.net has been designed to streamline information for easy access for you and your participants. It includes basic information for employees as well as employers, accessibility to forms, links to IRS publications, "FAQs" (frequently asked questions), and other information pertinent to administration. HRA participants may also check their account balance on-line.

For the Employer side of the website, from the title bar, click on "Employers", "Learning Center". Our site will then take you to a menu that will allow you to choose many options.

If you don't find what you need within these options, you may either call our office or click on "Contact Us". Enter your question and click on "Send". One of our Account Managers will either call or email you with the answer. It's that easy!

We hope you and your employees will find our website to be both convenient and helpful. Any feedback you may have would be appreciated.

Employee Account Balances + Employer Company Level Access via FlexBank.net

1. You should have already received instructions for employees to login to www.FlexBank.net for account balance information.

In addition, you, the employer, may login and check employee account balances and access company level reporting as well as enter additions, changes and terminations.

Login Instructions

2. *www.FlexBank.net*

3. Click on *"Employers"*, *"Employer Login".*

4. First time users
   Employer Number (see above), Tax ID# (with dashes) and Passphrase (contact your Account Manager for your specific Passphrase).
   Click "Submit".

5. FlexBank Employer Account Creation
   Enter email address.
   Enter a username.
   Username must be between 4 - 12 letters and/or numbers.
   Enter a password.
   Your password must:
   Be at least 8 characters in length
   Contain at least 1 lowercase and 1 uppercase letter
   Contain at least 1 special character (!@#$%^&*)
   Contain at least 1 number (0–9)
   Confirm password.
   Click "Submit".

6. Employer Account Dashboard

FlexBank Mobile

Employees can use our mobile to check account balances, reimbursement history and submit claims. To access the mobile, go to FlexBank.net\m on a mobile device with internet access and log in with the same participant username/password that would be used on the main FlexBank website. The mobile works on all operating systems.

Banking Logistics: Claims Funding and Monthly Fees

Claims Funding

You will initially deposit an amount of money into the HRA claims checking account from which FlexBank will pay claims as presented to us. Thereafter, we will notify you when there are no longer sufficient funds and you will need to deposit additional monies into the account. You should also review the monthly reporting emailed to you on the first business day of each month. These reports will detail the "cash balance" we believe is available in the account for HRA reimbursement.

If you have an ACH fraud filter on your account, please notify your bank of FlexBank's client ID number = 1311465080.

NOTE: FlexBank is not able to view balances and transactions in your actual bank account. Therefore, if you make a withdrawal or additional deposit, you must notify FlexBank.

Monthly Billing and Reports

Monthly notices for administration fees will be emailed to you on the first business day of each month for the previous month's fee. Fees are electronically collected (ACH withdrawal) on the first business day following the 25th of each month from the checking account of your choice.

Fees for terminated employees are payable through the end of the month of termination.

If you have an ACH fraud filter on your account, please notify your bank of FlexBank's client ID number = 2311465080.

Included with our billing statement are reports to assist you in reconciling your HRA claims checking account. Our monthly billing reports will include:

- ✓ Claims Register listing all checks, direct deposits and/or debit card swipes processed during the prior month.
- ✓ Employee Detail showing HRA Benefit by employee and YTD benefits paid to each employee.

IMPORTANT NOTE: If you are using one account for both claims and fees, please make sure to deposit enough money to cover fees as our system uses the HRA funds solely for claims payments. Where deposits have not been made appropriately, FlexBank is not responsible for fees incurred from your bank.

Mid-Year Changes

If an employee has a change in status that warrants a change in the HRA benefit amount, you should complete an HRA Eligibility / Termination form or enter the information via the FlexBank.net employer portal indicating the change and submit it to FlexBank. If you need assistance, please call your FlexBank Account Manager at 888.677.8373.

Termination Procedures & HRA COBRA

Termination Procedures

If an employee has a change in status that warrants a change in the HRA benefit amount, you should complete an HRA Eligibility / Termination form or enter the information via the FlexBank.net employer portal indicating the change and submit it to FlexBank. If you need assistance, please call your FlexBank Account Manager at 888.677.8373.

NOTE: FlexBank is not responsible for the payment of claims incurred after an employee terminates or has a change in status if we are not promptly notified.

HRA COBRA

If the employer employs 20 or more people, they are required to offer COBRA for the HRA. It is your responsibility to add the COBRA notification to your initial notice for new employees and also to your qualifying event notice for employees leaving your plan. Included in this manual is general guidance for calculating the monthly HRA COBRA premium that you may charge those electing HRA COBRA in addition to the group health insurance premium.

If you have less than 20 employees and are not required to offer employees COBRA continuation for group health plans and therefore qualify under the "State Continuation", you are **not** required to offer the opportunity for terminating employees to continue the HRA benefit.

Calculating the HRA COBRA Premium

An HRA is a COBRA Eligible Benefit

Employers who are subject to COBRA must offer terminated employees COBRA for the HRA benefit. Below is information on how the HRA COBRA premium is calculated.

Calculating the COBRA Premium

An employer offering an HRA should take the medical insurance plan premium, add to that the monthly amount calculated for the HRA component, plus the HRA administration fee and then multiply the total by 102% as permitted for administration costs.

If the HRA is newly implemented, in the absence of actual claims experience, the employer may charge a “reasonable amount” of what may be expected to pay out. While the IRS has not clearly defined “reasonable”, industry experience shows approximately 25% of maximum HRA funds on average may be utilized.

The following is a guideline to charging an additional amount as a COBRA premium.

A. For First Year Plans without Actual Claims Experience:

The table below illustrates the HRA benefits offered by the employer.

Coverage Type	HRA Annual Benefit	HRA COBRA Monthly Premium
Single	$2,000	$47.60
Family	$4,000	$90.10

Calculation
$2,000 x .25 = $500
$500 / 12 months = $41.67 monthly COBRA premium
$41.67 + $5 monthly HRA administration fee = $46.67
$46.67 x 1.02 = $47.60

B. For Plans with Actual Claims Experience:
Plans with actual claims may calculate the HRA COBRA premium based on the actual percentage of claims paid as related to the total potential claims liability. Below is a sample of our monthly reporting. It shows that the actual HRA claims paid of $75,518 is 22.1% of the total potential claims of $341,250. The same formula used above is then used to calculate the appropriate percentage of 22.1%.

FSA/HRA Activity Report for
ABC, Inc.
Plan Year: **9/1** to **8/31**

CASH SUMMARY

	Health FSA	Work-Related Child Care	HRA (funds)	Total
YTD Deposits	0.00	0.00	104,635.68	104,635.68
YTD Claims	0.00	0.00	75,518.26	75,518.26
HRA claims paid this year with service dates of last yr			0.00	0.00
	0.00	0.00	29,117.42	29,117.42
			Additional Funds	0.00
	0.00		**Advance Deposit**	0.00
			Company Deposit	0.00
			Current YTD Cash Balance	29,117.42

BENEFIT SUMMARY

	Health FSA	Work-Related Child Care	HRA	Total
Maximum Annual Benefit	0.00	0.00	341,250.00	341,250.00
HRA Benefit Rolled Over	-0-	-0-	0.00	0.00
less Claims paid for this year	0.00	0.00	75,518.26	75,518.26
Potential Left to	0.00	0.00	265,731.74	265,731.74

$75,518 is 22.1% of $341,250

Reporting & Disclosure Requirements

Form 5500 Annual Filing

Employers (except churches and government entities) sponsoring welfare benefit plans such as group coverage for health (including the HRA), dental, disability and term life insurance, may have an annual Form 5500 filing requirement if there are at least 100 participants (employees) in the "welfare benefit plan" on the first day of the plan year. There are additional factors that may affect if and when you must file a Form 5500. Two of those are:

1. whether or not you have a VEBA (plan maintained by a trust);
2. whether or not you have a summary plan description (SPD) per line of coverage or instead, if you have a "wrap document".

This is a brief overview of how your plan could potentially be affected by the filing requirements however; we felt it important to bring the topic to your attention. FlexBank does not provide legal or accounting advice and we strongly suggest you consult an expert in this area.

PCORI Fee Reporting & Payment

There is a fee imposed on health insurers and sponsors of self-funded plans (including HRAs) to support clinical effectiveness research through an entity called the Patient-Centered Outcomes Research Institute (PCORI).

The fee applies to each plan year that ends before October 1, 2029.

Reporting and Collection

The annual fees are due July 31 of the year following the year of assessment. Reports and payments for plan years that end in a calendar year are generally due by July 31 of the following year. Information regarding the fees must be reported by the employer on Form 720, which may be submitted electronically by the employer. http://www.irs.gov/pub/irs-pdf/f720.pdf

It is our understanding that you should note the tax period = 2nd quarter on the last page of the Form 720.

The Details

Employers who sponsor an HRA that is integrated with a fully insured group health plan are responsible for the applicable HRA fee. Where an employer has a self-funded health insurance plan and an HRA with the same plan year, they must only pay one fee.

It is our understanding at this time the fee does not apply to HRAs that are only for the reimbursement of dental and vision expenses.

Calculation of Fees

The fee is annually indexed and multiplied by the average number of employees covered under the HRA. Most HRAs have been given an exception whereby dependents do not need to be counted for the purposes of this fee, only employees.

However, if the employer sponsors a self-insured health plan along with an HRA with the same plan year (and are only required to pay one fee as noted above), they must include employees and dependents covered by both plans when determining the average number of covered lives.

Self-funded/HRA plan sponsors are provided three alternative methods for determining the average number of lives covered under the plan for the plan year.

1. Actual Count: Actually count the number of covered individuals each day and divide the total by the number of days in the year; or
2. Snapshot: Take a snapshot approach that uses information on a single day (or multiple days) each calendar quarter divided by the number of days during the quarter on which the count was made; or
3. Form 5500: Use data from Form 5500 to develop the average.

These fees paid by plan sponsors are considered deductible business expenses.

Medicare Part D

If you have employees who are eligible for Medicare Part D and who are enrolled in your group health plan and / or health reimbursement arrangement (HRA), you must provide them with a letter of creditable or non-creditable coverage. An employee is eligible for Medicare Part D if they are enrolled in Medicare Part A. We have been advised that the combination of both the underlying group health insurance plan plus the HRA benefit should be taken into consideration when determining if the "coverage" is creditable. However, this is not to be construed as a legal opinion. You should seek legal counsel for further advice.

Summary of Benefits and Coverage (SBC)

Plan sponsors are required to distribute a summary of benefits and coverage (SBC) using a government provided template with 12-point font. The SBC is in addition to the ERISA requirement to distribute a summary plan description (SPD) and amendment to the plan (if applicable). FlexBank will provide the SBC for you to distribute.

When Must the SBC Be Distributed?

An SBC must be provided to each participant or beneficiary with respect to each benefit package offered by the plan for which the participant or beneficiary is eligible (all eligible – not just all enrolled). If a participant and beneficiary live at the same address, a single SBC may be provided to the participant and beneficiary. If, however, the beneficiary lives at a different address, a separate SBC must be provided to the beneficiary at the separate address.

The SBC must be distributed at various times during the year as outlined below.

At Open Enrollment (Renewal): The SBC must be included with open enrollment materials. If the plan requires participants and beneficiaries to renew in order to maintain coverage for the next plan year, a new SBC must be provided no later than the date the renewal materials are distributed. If renewal is automatic, the SBC must be furnished no later than 30 days prior to the first day of the new plan year.

In connection with renewal, the employer only needs to provide a new SBC with respect to the benefit package in which a participant or beneficiary is enrolled.

If a material modification is made to the plan mid-year, an updated SBC must be provided within 60 days prior to the date on which such change will become effective.

Initial Enrollment: The SBC for each benefit package offered for which the participant or beneficiary is eligible must be provided as part of any materials that are distributed. If the plan does not distribute

written application materials for enrollment, the SBC must be distributed no later than the first date the participant is eligible to enroll in coverage for the participant and any beneficiaries.

At Special Enrollment: The plan or insurer must also provide the SBC to special enrollees (employees and dependents with the right to enroll in coverage mid-year upon specified circumstances) within 90 days after enrollment pursuant to a special enrollment right.

Upon Request: The employer must provide the SBC within seven business days upon request.

How Must the SBC be Distributed?
You can send a single SBC to an employee and dependents if they live at the same address. If any dependents live at a different location, you must also send an SBC to them.

If you use online enrollment or online renewal of coverage, you may provide SBCs electronically to those participants and dependents. If they ask for an SBC online, you can send one to them electronically as well. If you don't offer online enrollment, then you must meet certain requirements to legally deliver the SBC in an electronic format.

There are different rules for giving the SBC to a currently enrolled member than to a newly eligible but not enrolled member.

For enrolled group members, electronic delivery of the SBC must follow Department of Labor (DOL) rules on electronic disclosure.

For members who are eligible, but not yet enrolled in coverage, you may be able to send the SBC electronically if you meet each of these requirements:
- ✓ The format is easy to access.
- ✓ A paper copy is provided at no charge on request.
- ✓ If an Internet posting (or website) is used, you must send an e-mail or paper form notice to the employee:
  - Stating the SBC is on the Internet.
  - Identifying the Internet address.
  - Stating the document is available in hard copy if the employee asks.

Failure to Comply
There is a fine of over $1,000 per consumer when the issuer or plan willfully fails to provide the SBC. Also, the SBC rules authorize the state department of insurance to impose fines in accord with that state's regulations. If the state fails to act, Health and Human Services (HHS) or the Department of Labor (DOL) can issue a fine of $100 per day per affected person (this is in addition to the fine mentioned above for willful conduct) until the SBCs are properly issued.

1094 & 1095 Reporting

This reporting requirement is effective on January 1, 2016 for reporting 2015 data.

EXEMPT FROM 1094/1095 REPORTING...INTEGRATED HRAs:
The final instructions provide relief to HRAs that are integrated with either fully insured or self-funded group coverage sponsored by the SAME employer. Therefore, an employer sponsoring both a fully insured major medical plan and an HRA for employees enrolled in the group major medical plan is not required to report the coverage under the HRA for an individual covered by both arrangements.

* **Small employers** (i.e. less than 50 full time and full time equivalent employees) sponsoring a fully insured health plan and an HRA are **not** required to complete IRS Forms 1094-B and 1095-B.
* **Large employers** (i.e. with at least 50 full time and full time equivalent employees) sponsoring a fully insured health plan and an HRA must complete IRS Forms 1094-C and 1095-C, but are not required to complete Part III of IRS Form 1095-C.

MUST REPORT THE HRA:
1. If your HRA is integrated with another employer's group health plan, then you must complete IRS Forms 1094 and 1095. For example, some employers offer employees an HRA if the employees enroll in their spouse's employer sponsored group health plan.
2. If your HRA is not integrated with any group health plan (which will rarely happen), meaning an employee is eligible for the HRA benefit even if they are not covered on your group health plan or another group health plan (through their spouse), you must report only those enrolled in the HRA, but not covered by your group health plan.
3. If your HRA is offered only to those either 1) on your group health plan or 2) on a spouse's group health plan, you must report only those enrolled in the HRA, but not covered by your group health plan.

* **Small employers** (i.e. less than 50 full time and full time equivalent employees) must complete IRS Forms 1094-B and 1095-B.
* **Large employers** (i.e. with at least 50 full time and full time equivalent employees) must complete IRS Forms 1094-C and 1095-C, including Part III on IRS Form 1095-C.

Click here for Form 1095-B Instructions:
http://www.irs.gov/pub/irs-pdf/i109495b.pdf
Click here for Form 1095-C instructions:
http://www.irs.gov/pub/irs-pdf/i109495c.pdf

This is a general discussion of the rules. If you have questions regarding your HRA plan design, please contact your FlexBank Account Manager.

Plan Year End

HRA Plan Design Changes
If you are making changes to the HRA plan design, please notify your FlexBank Account Manager as soon as possible. It is important that FlexBank confirm that we are able to administer any proposed change in the way that your plan operates.

Most changes in HRA plan design will require that FlexBank amend your HRA Plan Document, Summary Plan Description (SPD), and Summary of Benefits and Coverage (SBC) for an associated fee.

Left to Spend Letters
Upon request, two months prior to the end of your plan year, FlexBank can create a 'Left to Spend' letter for each employee who has not spent his or her entire HRA benefit. These letters will summarize annual HRA benefit and year-to-date claims for each employee. The left to spend letters will be sent to the employer for distribution to employees.

Optional Feature

Debit Card

FlexBank Administrators continually strives to offer its clients the most comprehensive benefits services possible. This includes the availability of a debit card for your HRA participants. This is a very positive feature for the employees, but there are a few things that you, the employer, should be aware of as well.

The Good News:

- Convenience, convenience, convenience! Immediate availability of funds. Participants do not have to pay for medical expenses "up front" and wait to get reimbursed.
- If you permit HRA reimbursement of flat dollar co-pays and/or prescription expenses, participants generally will not need to submit receipts to FlexBank after they use their debit card.
- FlexBank handles most of the repayment issues for ineligible card use. If an expense is not eligible (i.e. a cosmetic procedure), the participant must write a check and "pay back" the HRA. The employer is only involved when a card has been shut off and funds must be recouped through payroll withholding.

The Other News:

- There is an additional $1 charge per month for each participant.
- FlexBank is not able to reimburse participants if they walk in to our office for an on the spot reimbursement. However, if the employee submits the claim documentation in the morning, it will be available for pick-up by the end of the same business day.
- Bank reconciliation is slightly different as you will not see an entry on your bank statement for a single check; instead, a weekly total of all individual swipes for all participants is reported.
- HRA benefits must be first dollar payment. The debit card is a pre-paid card, as an example, it is not sophisticated enough to pay 60% of an eligible expense.
- Employers must fund an additional 5% of the total annual liability for all participants so that funds are available for real time debit card purchases.
- If you permit reimbursement for prescriptions: The debit card can read bar codes and it does know when a participant is buying a prescription. However, all expenses "auto-adjudicate" and thus there is no requirement that an employee submit documentation for each prescription. There is risk in this approach in that the card doesn't know if the prescription is indeed covered by the health plan, nor if the prescription is for someone covered by the health plan.
- If you permit reimbursement of major medical, vision and/or dental expenses: The IRS requires documentation be submitted for all expenses (other than flat dollar co-pays and prescriptions). The debit card knows that the participant is in a medical facility, but the card doesn't know what is actually being purchased. The employee has a limited time frame (set by the IRS) in which to submit valid paperwork for their card usage. If the paperwork is not received in the allotted time frame, the employee's debit card will be turned off and other measures must be used to get the money returned to you. Without supporting documentation, all card usage is assumed to be invalid and therefore must be repaid to the HRA.
- FlexBank attempts to obtain repayment from participants for ineligible or unsubstantiated expenses. If we are unable to do so, it is your responsibility to assist in the recovery. This is generally accomplished via payroll deduction. This can be a challenge if the employee has terminated employment.

Plan Termination

Terminating the Plan and/or a Plan Feature(s)
As the Plan Administrator, the employer reserves the right to terminate the HRA at anytime. However, the IRS requires your Plan Document to be amended and employees be notified. FlexBank can provide you with a formal termination amendment for a fee of $150.

If the plan terminates, the decision will need to be made on a "run out period" or the length of time claims may be reimbursed beyond the date the plan ends. FlexBank will continue to bill you at your current billing rate until the run-out period ends.

Terminating FlexBank Services
FlexBank requires a written notice within thirty (30) days when terminating our services.

Health Care Reform Impact on HRAs

The following are the majority of the changes to HRAs as mandated by the Affordable Care Act.

Children through the end of the calendar year in which they turn 26
Effective March 30, 2010

- Health care reform allows older age children to remain covered under their parents' coverage.
- The federal law requires plans to extend the eligibility age for dependents through age 26. The HRA may reimburse expenses for the "adult child" even if the child does not qualify as the parent's tax dependent.
- Some state laws require health plans to cover children beyond 26. However, since HRAs are self-funded and therefore, most HRAs are covered under ERISA, those state laws do not apply.

Over-the-Counter prescription required
Effective January 1, 2011

- HRA funds can no longer be used to purchase OTC drugs and medicines unless participant has a prescription for the drug or medicine from the medical provider.

Summary of Benefits and Coverage (SBC)
Effective first open enrollment period that begins on or after September 23, 2012.

- The government has implemented procedures to standardize terms and documents so that everyone can better understand their health plans. To help accomplish this goal, health care reform requires health plans (including HRAs) to prepare a four (4) double-sided page summary of benefits and coverage (SBC) using a government provided template. The SBC is in addition to the ERISA requirement to distribute a summary plan description (SPD) and amendment to the plan (if applicable).
- This requirement does not apply to HRAs that are for:
  1. dental/vision expenses only
  2. retirees only
  3. benefit of $500 or less without a carryover feature
- FlexBank prepares SBC and forwards to employer for distribution.

Stand-Alone HRAs & Spend Down of HRA Accruals

Announced January 2013

- Spend down of HRA rollover accruals is permitted where credited prior to 2014 renewal for both 1) stand-alone HRAs with rollover for active and terminated participants as well as 2) integrated HRAs with rollover for terminated participants.

Patient-Centered Outcomes Research Institute Fee (PCORI)

First fee must be paid by July 31, 2013

- The IRS has issued regulations on a new fee imposed on health insurers and sponsors of self-funded plans (HRAs are considered self-funded plans) to support clinical effectiveness research through an entity called the Patient-Centered Outcomes Research Institute. The fee will be applicable for 7 full plan years (plan years ending on/after 10/1/12 and before 10/1/19).
- Employers who sponsor an HRA that is integrated with a fully insured group health plan are responsible for the applicable HRA fee. In this case, the fee is based on only the number of employees in the HRA multiplied by the annual indexed PCORI fee.
- Where an employer has a self-funded health insurance plan and an HRA with the same plan year, they must only pay one fee. The fee is multiplied by the average number of individuals (i.e. employees and family members) covered under the self-funded health plan and HRA.
- The fee does not apply to HRAs that are only for reimbursement of dental and vision expenses.
- The fee is reported on IRS Form 720 and paid on IRS Form 720V. The forms and fee are due each July 31 regardless of the plan year.

Stand Alone HRA for Dental & Vision Reimbursement

- Proposed guidance (that agency officials note can be relied upon) was released in December 2013 that confirmed it is acceptable to have an HRA that covers only dental and/or vision expenses. These HRAs may or may not include a rollover feature.

Integrated HRA with Spouse's Group Health Insurance Plan

Clarified September 2013

- A point of clarification in the guidance released 9/13/13 is the definition of an integrated plan. Generally speaking, an integrated plan was when the HRA was only available to those employees that enrolled and became participants in the employer's underlying group health plan.
- Under this new guidance, the agencies have broadened this definition. There are examples now that include "integration" with the spouse's employer's group health plan.

Integration of HRA with Group Health Plan That Provides Minimum Value

For an HRA to be integrated with a group health plan that provides minimum value:

- ✓ The employer must offer a group health plan (other than the HRA) that does not consist solely of excepted benefits.
- ✓ The employee in the HRA must be enrolled in a group health plan providing minimum value (whether or not sponsored by his or her employer).
- ✓ The HRA may be available only to employees who are enrolled in a group health plan providing minimum value.
- ✓ The HRA must give the employee an election to opt out and waive future reimbursements at least annually and upon termination of employment.
- ✓ Where the above requirements are met, the HRA may reimburse the same type of expenses as before the Act's requirements took effect.

Integration with a Group Health Plan That Does Not Provide Minimum Value

For an HRA to be integrated with a group health plan that does not provide minimum value:

- ✓ The employer's group health plan (other than the HRA) must not consist of only excepted benefits.
- ✓ The employee in the HRA must be enrolled in a group health plan that does not consist of only excepted benefits (whether or not sponsored by his or her employer).
- ✓ The HRA must limit reimbursement to one or more of copayments, coinsurance, deductibles and premiums under the non-HRA group coverage or for medical care other than essential health benefits.
- ✓ The HRA must give the employee an election to opt out of and waive future reimbursements at least annually and upon termination of employment.

Please note, only group health insurance of the spouse is eligible. If the spouse has an individual policy, the plans are not viewed as integrated. At enrollment of the HRA, the employee must provide a written statement and/or documentation proving that the coverage is group and not individual as well as if the coverage provides minimum value.

An industry attorney has advised that Medicare, Medicaid and TRICARE do not qualify as "group coverage".

All HRAs must permit participants to opt off/waive future reimbursements

Effective 2014 Renewal

- Under the terms of the HRA, an employee (or former employee) must be permitted to permanently opt out of and waive future reimbursements from the HRA at least annually and, upon termination of employment, either the remaining amounts in the HRA are forfeited or the employee is permitted to permanently opt out of and waive future reimbursements from the HRA.
- The rule is in place so that the individual may be eligible for subsidies under the health care exchanges or marketplace.

Tax Free Premium Reimbursement for Individual Policies

Effective 2014 Renewal (announced September 13, 2013)

- The practice of permitting pre-tax reimbursement (including employer funding) for individual premiums through a Section 125 plan and/or an HRA is prohibited.

90-day Waiting Period

Effective 2014 Renewal

- Plans subject to health care reform generally may not apply a waiting period that exceeds 90 days. HRA effective dates for participation should mirror the group health plan.

HRA must cover employee and dependent children (not spouse)

Effective 2014 Renewal

- Plans subject to health care reform must include coverage for the employee and their dependent children. The coverage is not required to include coverage for the spouse.

Reinsurance Program Contribution Requirement

Effective January 1, 2014 – 2016 (3 years)

- HRAs are **exempt** where they are integrated with major medical coverage regardless of whether the major medical coverage is self-insured or fully insured.

Pay or Play Penalty

Effective January 1, 2015

- Another area of uncertainty for HRAs under health care reform is their treatment under the shared responsibility provisions, also known as the "play or pay" penalty taxes.
- Beginning in 2015, certain large employers may be subject to a penalty unless they offer "minimum essential coverage" (other than excepted benefit coverage) to all full-time employees (and their dependents) under an eligible employer-sponsored plan. To be considered "minimum essential coverage," the coverage will need to meet an affordability requirement (which compares cost to income) and provide minimum value (i.e., it will need to pay at least 60% of the total allowed cost of benefits). The penalty is due if any full-time employee has certified to the employer as having purchased health insurance through an Exchange with respect to which a tax credit or cost-sharing reduction is allowed or paid to the employee. Employers who provide coverage under an eligible employer-sponsored plan that does not meet the affordability and minimum value requirements may nevertheless avoid the tax to the extent employees actually participate in the plan.
- Under the regulations, newly made available amounts under an HRA (new employer contributions, not amounts carried forward from a prior year) that may be used by the employee for cost-sharing for covered medical expenses (not insurance premiums), may be added to the plan's minimum value if certain situations are met.
- FlexBank has retained and is available upon request the services of an actuary to calculate actuarial value. Fee for service = $2,500.

Health Plan Identifier (HPID) ~ POSTPONED without an implementation date

Effective November 5, 2015 for "small" health plans

- What is a health plan identifier? The HPID creates a standard data element for health plans. The intent of the HPID is to simplify the routing, review and payment of electronic transactions and reduce errors and manual intervention.
- HRAs need an HPID. HRAs with 50 or more participants are considered self-funded health plans under HIPAA because HRAs are funded by the employer. If the employer sponsors both an HRA and a self-funded medical plan, the employer can treat both programs (i.e. the HRA and the self-funded health plan) as one plan and obtain just one HPID. On the other hand, if the employer sponsors a fully insured health plan and an HRA that has 50 or more employees, the employer must obtain a separate HPID for the HRA. In the case of an employer with both a self-funded health plan and an HRA that pays more than $5 million in claims annually, the employer must obtain the HPID by November 5, 2014. If the employer has 1) a fully insured plan and an HRA or 2) a self-funded plan health plan and an HRA that pays less than $5 million in claims annually, then the employer must obtain the HPID by November 5, 2015.
- Health savings accounts and flexible spending accounts are not considered health plans and not required to have an HPID.
- Self-funded customers apply for their HPID online through CMS. CMS gives instructions on its Health Plan Identifier page. The application is found through its Health Plan and Other Entity Enumeration System at CMS Enterprise Portal (https://portal.cms.gov).
- Employers must register for the HPID. FlexBank is not permitted to report on the employer's behalf.

1094 & 1095 Reporting

This reporting requirement is effective on January 1, 2016 for reporting 2015 data.

The HRA must be reporting in the following instances:

1. If your HRA is integrated with another employer's group health plan, then you must complete IRS Forms 1094 and 1095. For example, some employers offer employees an HRA if the employees enroll in their spouse's employer sponsored group health plan.

2. If your HRA is not integrated with any group health plan (which will rarely happen), meaning an employee is eligible for the HRA benefit even if they are not covered on your group health plan or another group health plan (through their spouse), you must report only those enrolled in the HRA, but not covered by your group health plan.
3. If your HRA is offered only to those either 1) on your group health plan or 2) on a spouse's group health plan, you must report only those enrolled in the HRA, but not covered by your group health plan.

HRA Participant + All Dependents Covered by HRA Must have Group Health Plan Coverage
Beginning with the HRA's 2017 plan year, if an employee and any family member is to benefit from your HRA, they must have group health insurance coverage either under your group health plan or under another group health plan (i.e. through the spouse).

As an example, if you offer HRA monies to those waiving your group health plan, you should begin to:
1) communicate that only those enrolled in a group health plan are eligible for the HRA (employee and all dependents) and
2) require a written statement from HRA participant (employee) that the HRA participant, and any dependents benefiting from the HRA, have group health insurance (not individual coverage i.e.. Medicare or an individually purchased plan).

Please note, if your HRA is "integrated" with your group health plan and only those eligible for HRA reimbursement must be covered by your group health plan, your HRA plan design is compliant with regard to this regulation.