



Employee Benefit and Retirement Strategies Using Funded Health Reimbursement Arrangements

Agenda

- Introductions
- Who Is NIS?
- What Is a Funded Health Reimbursement Arrangement (HRA)?
- Integrated HRA
- Retiree-Only HRA
- Benefit Strategies, National Perspective
- Questions?



Scott Fritz

Employee Benefits
Consultant

Role:

Your Full Benefits Consultant responsible for completing an overall assessment and the management of all benefit programs offered by your district.

Experience:

19 years

Focus:

Schools, Cities, Counties, and Community Mental Health

Specialties:

Health Insurance, Compliance, Benefit Integration, and Early Retiree Benefits

License:

Licensed Insurance Agent

Who Is NIS?

More than 30 Years Working with Michigan Public Sector Organizations

- We work with over 200 schools and municipalities in Michigan

Exclusive Public Employer Focus

- Since 1969, National Insurance Services (NIS) has been committed to the needs of municipalities, schools, cities, counties, libraries, and community mental health organizations

Public Employer Benefit Experience

- Whether it's Health, Disability, ACA, 403(b), HRA, HSA, or any governmental employee benefit, we have an expert ready to serve you



Today's Message

What Can We Learn from Other States

- Wisconsin, Minnesota, Nebraska, etc.

Attract and Retain Staff

- A financial tool for staff to separate from service and cover medical expenses, including premiums

Value for Pre/Post 2012 hires

- Pre 2012 still have a cost of over \$400 per month for health care premiums
- Post 2012 no guarantees, how much will healthcare cost when they retire



Funded Health Reimbursement Arrangement

What Is a Funded HRA?

Health Reimbursement Arrangement (HRA)

- Employer-funded, interest bearing, tax-free benefit plan established to reimburse plan participants for eligible medical expenses and **premiums**
- Tax-free contributions
- Tax-free interest earnings
- Tax-free reimbursements
- Unused funds carryover annually

There Are Two Types of HRAs

- Integrated
- Retiree-only



Integrated HRA

Integrated with the Group Sponsored Medical Plan

- All participants in the HRA must also participate in the group-sponsored medical plan
- Used to help offset deductible or out-of-pocket costs
- Uniform contributions by coverage tier
- An integrated HRA can be used with a Qualifying HDHP, but it is not required

Funded vs. Unfunded

- An integrated HRA can be set up as a funded interest-bearing account or an unfunded ledger account
- Funded plans tend to provide for more consumerism

Funded Integrated HRA vs. HSA

Funded Integrated HRA	Health Savings Account (HSA)
Federal, State, and FICA Tax Free	Federal and FICA tax. State income tax applies in states without conforming tax law.
Qualified medical expenses as defined in IRC 213(d); Premiums upon separation of service including early retirement, Medicare, and Medicare Supp premiums	Qualified medical expenses as defined in IRC 213(d); Premiums limited to COBRA and Medicare; Does not allow for premiums for early retirement beyond COBRA period or Medicare Supp
Employer must make comparable contributions on behalf of those meeting eligibility criteria	Employer must make comparable contributions on behalf of those meeting eligibility criteria
Surviving spouse and eligible dependents can continue using the HRA upon the death of the participant	Surviving spouse and eligible dependents can continue using the HSA upon the death of the participant
Employer Funded	Employer and Employee Funded
Balance carryover and portable	Balance carryover and portable

Retiree-Only HRA

- Established for the sole benefit of retired employees
- No more than one (1) active employee, with access, on the plan as defined by ACA
- Can include active employees as long as they don't have access until separation of service
- Help reduce or eliminate OPEB liability
- Can be set up to include all 213(d) eligible expenses or limited to premiums only
 - Premium Only, Retiree-Only HRAs are exempt from non-discrimination rules

Retiree-Only HRA Applications

1

Contributions made at Retirement/Separation of Service

- Accumulated Sick Leave/PTO payouts, Early Retirement Incentives

2

Defined Contribution on behalf of active employees with no access until retirement or separation of service

- Annual Excess Sick Leave/PTO payouts, Fixed Dollar Amount, Fund Equity Surplus

Retiree-Only HRA Benefits

Contributions Made Upon Retirement/Separation of Service

- Accumulated Sick Leave/PTO
 - Typically these payments are made in cash through payroll
 - HRA contribution allows dollar for dollar contribution not 75 cents on the dollar
 - Retirees can use the HRA for qualified medical expenses and premiums
 - Eligible premiums include
 - Health, Dental, Vision, Medicare Part B, D, Medicare Supp Plans, and Long-Term Care Insurance
- Early Retirement Incentives/Retirement Window Programs
 - Negotiated dollar amount
 - Ex. \$10,000 HRA Contribution for 5 years

Retiree-Only HRA Benefits

Contributions Made While Actively Employed

- Annual Excess Sick Leave/PTO
 - Typically these payments are made in cash through payroll
 - HRA contribution allows dollar for dollar contribution not 75 cents on the dollar
 - No access until retirement or separation of service
 - Participant does have ability to make investment changes
 - Retirees can use the HRA for qualified medical expenses and premiums
 - Eligible premiums include
 - Health, Dental, Vision, Medicare Part B, D, Medicare Supp Plans, and Long-Term Care Insurance

Retiree-Only HRA Benefits

Contributions Made While Actively Employed

- Annual Defined Contribution Plan
 - Deposit an annual defined contribution amount on behalf of employees with no access until retirement or separation of service
 - Vesting Schedules can apply
 - Time value of money and investment earnings can provide more of the benefit than the employer
 - Once vested, and separated from service, participants can use the HRA for qualified medical expenses and premiums
 - Eligible premiums include
 - Health, Dental, Vision, Medicare Part B, D, Medicare Supp Plans, and Long-Term Care Insurance

Defined Contribution Funding Example

(5.5% estimated rate of return; Not The Employer Deposits \$1,000 Per Year a guarantee; Used for illustrative purposes)

Year	Employer Contribution	Potential Value
10	\$10,000	\$12,875
15	\$15,000	\$22,409
20	\$20,000	\$34,868
25	\$25,000	\$51,153
30	\$30,000	\$72,435



National Perspective

Benefit Strategies, Change the Narrative

- Self-Funding or Level Funding
- Individual Coverage Health Reimbursement Arrangements (ICHRA)
 - Provide employees an amount (hard cap) into a HRA account
 - Buy a medical plan that meets individual needs
 - Partner with TPA to sign up staff for plans
 - Retain excess dollars in HRA to use at separation
- Think outside the box
 - Review options outside traditional options
 - Ex: HSA's were a radical concept at one point



Questions?



Thank You!

Scott Fritz
sfritz@nisbenefits.com