

Contact Us

For more information regarding Health Reimbursement Arrangements and other Consumer Driven Account Options, contact our Marketing Department at (800) 525-8788 today!



P.O. Box 2000
Exeter NH 03833
Phone: 800-897-7728



**Health Reimbursement
Arrangement
Information for
Employers**

Simply the Best.



Tel: (800) 897-7728

What is an HRA?

An Health Reimbursement Arrangement is a tool available for use in "consumer-driven health insurance". Rather than an employer dictating the providers and services that are available to their employees, consumer-driven health care puts more of the financial responsibility in the hands of the employee. This concept leads to more active and cost conscious participation by the employees and translates into an overall reduction in health care costs.

Part of the rising health care cost problem has been a history of patients being buffered from the real cost of hospital and doctor visits, and the rising price of name-brand prescription drugs even when generic alternatives are often just as viable for treatment. Analysts and insurers agree employees need to be given an idea of what their care really costs.



Currently, beyond their co-pays or premium deduction, employees don't see or ask about the cost for services. Making beneficiaries act like consumers should eventually trigger market-style forces in the health-care industry. The concept behind consumer-driven plans is relatively new to the health-care industry. But it is one as simple as seeing the price tag before making a purchase.

How does an HRA work?

A typical HRA is designed to be utilized along with a health plan that has higher deductibles and fewer co-payments than a tradition health plan. A higher deductible plan provides savings through lower claim costs. Some of this savings can be used by the employer to fund the HRA account, resulting in overall lower costs now, as well as lower projected claim cost increases in the future.

The most common arrangement is to change your health insurance plan to have a higher overall deductible but provide an HRA for the employees to access for some of their deductible expenses. The employee has access to the HRA account to pay for medical expenses before the health plan begins to fully cover their expenses. In effect, the employee has a higher overall deductible but has the first part of it fully funded via the HRA. HRA's can be utilized without a high deductible plan but the cost savings would be less.

Example

As an example, you may change from a \$500 deductible to a \$1,000 deductible in conjunction with a \$500 per year HRA. Formerly, an employee would have to incur \$500 of out-of-pocket medical expenses before any costs were covered. With the HRA, the employee could utilize the HRA to pay for the first \$500 of medical expenses they incur, then be responsible for the next \$500 of expenses before the insurance begins to pay. If an employee doesn't use all of their HRA in a

year, the remaining balance can be rolled over to subsequent years. In the future, they may experience no out of pocket expenses at all even if a major health situation were to arise.

HRA Advantages for Employers

You do not need to pre-fund the employee accounts - if an employee doesn't use their HRA, no funding is required. You can retain ownership of the funds if the employee terminates. HRAs are available to any size employer group (not available to self-employed or S-Corp owners). You have great flexibility in HRA plan designs. HRA funding is tax deductible. You determine the amount to contribute to the HRA.



CBA 

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