A funded Health Reimbursement Arrangement for public employees in Washington

The HRA VEBA Plan is a great way to save up for out-of-pocket medical expenses, including retiree insurance premiums. It's easy to use, and it helps you pay less in taxes.

hra veba

hra veba

It all started more than 30 years ago when a retired Washington school administrator expressed concern over the growing cost of his retiree medical insurance. This led to development of the nation's first multiple-employer HRA programs for public employees. Today, the HRA VEBA Plan[1] serves nearly 25,000 HRA participants from more than 280 employers in the state of Washington.

Here's how it works:

1. Your employer sends money to your HRA.
2. You invest those funds.
3. You use your HRA to reimburse medical expenses now or later[2].

Health Reimbursement Arrangement

An HRA is a type of health plan that puts ***you in control***. It's a savings account for your family's medical care expenses and premiums. The money comes from your employer. Depending on your employer's plan design, you can begin spending your HRA right away, or save it up until you meet certain eligibility requirements, such as separation from service or retirement[2].

Investment Options

You get to put your money to work by choosing from a menu of available investment funds. To learn more, read our **Investment Fund Information** brochure. Also, our **Investment Fund Overview** contains quarterly performance data for each fund. To get the most current versions of these items, go to **hraveba.org** and click **Investments**.

Keep More for Yourself — *tax free*

Here's the really neat part: **Your HRA is tax-free!** This includes federal income tax, and FICA taxes (Social Security and Medicare). By paying less in taxes, you get to keep more for yourself. Money goes in tax-free, is invested tax-free, and comes out tax-free. That's the best tax advantage you can get — *even better than tax-deferred programs like 457, 401(k), and 403(b) plans!*

$70 *or* $100?

Instead of starting out with $100 and ending up with just $70 after taxes, you get to keep the whole $100 in your HRA! You could save up to $30 or more in taxes for every $100 your employer puts in your HRA[3].

[1]The HRA VEBA Plan is offered by the HRA VEBA Trust, a voluntary employees' beneficiary association (VEBA). HRA VEBA Trust is managed by a board of trustees elected by Plan participants, participating employers, or the board itself, depending on the trustee position. [2]Your HRA may be subject to vesting, post-separation benefits only, or other limitations depending on your employer's plan design. [3]Example is for illustrative purposes only and will vary based on your personal tax situation. Your tax savings may be more or less.

HRA Advantages

This section gets kind of technical, but don't worry! The point is that the **HRA VEBA Plan** offers several advantages over other types of medical expense accounts, such as health savings accounts (HSAs) and flexible spending accounts (FSAs).

- Use any health insurance plan — *no high-deductible health plan (HDHP) required*
- No IRS contribution limits
- Other coverage doesn't impact contribution eligibility
- Reimburses medical premiums before and after age 65, including Medicare and Medicare supplement premiums
- Unused balances carry over — *no annual "use-it-or-lose-it" or limits on carry over amounts*

In addition, the **HRA VEBA Plan** can provide many other benefits.

- **Tax-free**, not tax-deferred
- Participant-directed investments, similar to your 457, 401(k), or 403(b) plan
- Spouse and qualified dependents are covered — *even if you pass away*[4]
- Can be transferred to a beneficiary, if you pass away with no surviving spouse or dependents

[4]Your young adult children are covered through the end of the calendar year in which they turn age 26.

Common Medical Care Expenses

The growing cost of health care is a huge concern for most active employees and retirees in Washington. Insurance premiums, copays, and deductibles continue to rise while coverage levels are dropping, and the cost of medical care keeps going up. As these problems worsen, employees struggle to cope. Many Washington public employees are working past retirement age because they can't afford $1,000 per month or more for medical insurance.

Fortunately, with the **HRA VEBA Plan**, you can save up tax-free funds to help cover your out-of-pocket medical care expenses either now or during retirement, depending on your employer's plan design. There are lots of different types of qualified medical care expenses. Several of the most common are listed below.

- Copays
- Deductibles
- Prescriptions
- Preventive care
- Chiropractic
- Dental
- Vision
- Orthodontia
- Laser eye surgery
- Retiree insurance premiums (medical, dental, vision)
- Medicare Part B
- Medicare Part D
- Medicare supplement
- TRICARE
- Tax-qualified long-term care (subject to IRS limits)

Internal Revenue Code Section 213(d) outlines qualified medical care expenses and premiums. For quick reference, read our **Qualified Expenses & Premiums** handout available upon request or online after logging in at **hraveba.org** and clicking **Resources**.

Common HRA Funding Sources in Washington

In many cases, your employer will contribute certain funds that would otherwise be paid to you as taxable income. Your employer may also provide contributions in connection with its own creative employee benefits goals and initiatives. Several common HRA funding sources used by public employers in Washington are listed below.

- Unused leave cash-outs (annually, at separation, or retirement)
- Mandatory employee contributions (group salary reduction)
- Direct employer contributions (to help offset increased medical costs for employees)
- Excess or leftover benefit dollars
- Financial incentive to:
    - Enroll in lower-cost medical plan
    - Opt out of employer-sponsored medical plan
    - Participate in wellness plan activities
    - Retire early

Eligibility and funding sources are usually defined in writing within collective bargaining agreements, employer policies, etc. You should check with your employer, union, or employee group leadership if you have questions about what HRA funding sources may apply to you. Keep in mind that IRS rules do not permit individual elections. All employee group members defined as eligible must participate.

Enrollment Process

When you become eligible to participate, your employer will usually enroll you automatically, provide you with instructions to enroll online, or give you a paper Enrollment Form. We will send a welcome packet to you after your enrollment is complete and we have received a contribution from your employer. Your welcome packet will contain your account number, claims-eligibility status, investment allocation, and online account access instructions. If you are enrolled automatically, **your contribution(s) will be invested in the HRA VEBA Stable Value fund until you make a change**. You can view available fund options and easily change your investment allocation online or from our mobile app, HRAgo®.

Using Your HRA

You may be thinking to yourself, "All of this sounds great, but how hard is it to manage my account and get my money out?" Well, we've got great news for you! Using your HRA is now easier than ever!

- 24-hour online account access at **hraveba.org**
- HRAgo® (mobile app)
- Online claims submission
- My Care Card℠ (debit card)
- E-communication in lieu of paper
- Direct deposit of reimbursements
- Automatic reimbursement of monthly premiums
- Paper forms—*just in case you like doing things the old-fashioned way!*

Last but not least, our award-winning customer care team is located right here in Washington. We're just a call or email away if you need help. You can contact us at **1-888-659-8828** or **customercare@hraveba.org**. Any one of our friendly representatives will be happy to answer your questions and help you sort out any problems.

Survivor Benefit

If you pass away, your surviving spouse and qualified dependents can continue using your remaining funds on a tax-free basis. You can name one or more beneficiaries in the event you have no surviving spouse or dependents. This is an important benefit most other HRA plans can't provide!

Fees

Plan expenses include claims processing, customer service, account administration, printing, postage, legal, consulting, local servicing, auditing, etc. To cover these costs, a monthly per participant fee of $1.50 (if claims-eligible) or $0.75 (if not claims-eligible), plus an annualized asset-based fee of approximately 1.10%, is charged to your account. The monthly fee is waived if your account balance is more than $5,000. In addition, a 0.25% asset-based fee discount applies to any portion of your account balance in excess of $10,000. Your account value changes daily based on activity, which includes investment earnings/losses, contribution and claims activity, and assessment of the asset-based fee.

To the extent permitted or required by law, certain fees, assessments, or other amounts payable to the federal government may also be deducted from your account.

Investment fund manager fees and other fund expenses vary by fund. To view these fees, refer to our **Investment Fund Overview**. Go to **hraveba.org** and click Investments to get a current copy.

Customer Care Center

1-888-659-8828
customercare@hraveba.org
www.hraveba.org

Download our mobile app, HRAgo®, today!

Local Service

Plan education and local service provided by:

To learn more about the **HRA VEBA Plan**, or to schedule a group presentation, contact a Gallagher office near you.

1-800-888-8322 Spokane
1-800-422-4023 Tacoma/Bellevue
1-855-565-2555 Tri-Cities