

Consumer-driven Blue

Health Reimbursement Accounts (HRA) from Blue Cross and Blue Shield of Oklahoma

Information for the employer



**BlueCross BlueShield
of Oklahoma**



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Health Reimbursement Accounts (HRAs)

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- A new concept in health benefits.
- Employers can save on health insurance costs while still providing valuable benefits.
- Employees are encouraged to take an active role in managing their health care expenses.

Consumer-driven Blue combines an employer-funded health reimbursement account with Blue Cross and Blue Shield of Oklahoma's BlueChoice® PPO and BluePreferred® PPO health insurance plans. Both PPO plans offer a wide range of deductible options and healthcare provider network choices.

What are health reimbursement accounts (HRAs)?

HRAs are accounts financed by employers to reimburse employees for eligible health care expenses that are not paid by their health insurance plan (such as deductible and coinsurance). HRA payments are treated as a business expense rather than salary, and therefore are not subject to FICA and unemployment taxes.



How is a health reimbursement account different from a health savings account or a flex/cafeteria plan?

A FLEX/CAFETERIA PLAN — referred to as a Section 125 plan (after the provision in Section 125 of the federal tax code) — allows employees to set aside tax-free income from their regular salary to pay for health care and/or dependent care expenses.

The employee determines the amount of salary each year to be set aside through payroll deduction for these purposes. The amount set aside must be used within a calendar year or the employee loses those dollars.

Flex plan dollars can be used for health care expenses that are not eligible under a health insurance plan — such as over-the-counter drugs and LASIK surgery — but that are approved by the IRS.

A HEALTH SAVINGS ACCOUNT (HSA) — a HSA is made up of funds that, when deposited in the account, are tax-deductible to whomever deposits them — the employee, the employer or both. The funds may draw tax-free interest when the account's minimum deposit level is reached. Funds can be used tax-free to pay qualified, out-of-pocket health expenses. Unused funds roll over to the next year and continue to accrue tax-free interest.

A HEALTH REIMBURSEMENT ACCOUNT (HRA) — referred to as a Section 105 health reimbursement arrangement — allows employers to reimburse employees for certain out-of-pocket medical expenses. HRAs are funded solely by the employer and cannot be funded with payroll deduction. Funds remaining in the HRA at the end of the calendar year can roll over to the next year without creating taxable income for employees. The expenses that are eligible for HRA reimbursement can be limited to those that are covered by the health plan, but are subject to cost-sharing (deductible and coinsurance).

Consumer-driven Blue Health Reimbursement Accounts (HRAs)

What are the advantages of a health reimbursement account?

- Employers are able to save money on premiums by choosing higher-deductible PPO health plans. The health reimbursement account removes part of the employee's financial burden from the increased deductible, and gives employees more incentive to make consumer-driven decisions about their health care.
- BlueChoice PPO and BluePreferred PPO with the money-saving networks, also have a \$300 preventive care benefit that is not subject to the deductible. This enables employees to receive needed wellness services.
- Employers do not need to fund each employee's health reimbursement account at the beginning of the year. The HRA is a "virtual" bookkeeping account the employer pays as claims are incurred.
- Customer service is handled locally through Blue Cross and Blue Shield of Oklahoma.

Sample health reimbursement account plan design

Preventive Care Covered wellness services; no deductible to meet \$300
Health Reimbursement Account \$1,000 (HRA pays first)
Remaining deductible Employee responsibility after the health reimbursement account is exhausted \$1,000
PPO plan coverage Pays 80% of expenses for covered services after the \$2,000 deductible is met.



Annual \$2,000 deductible

- For health reimbursement accounts effective after March 31, a prorated portion of the annual contribution will be available for the first calendar year.
- Health reimbursement account maximum balance is limited to three times the annual contribution.



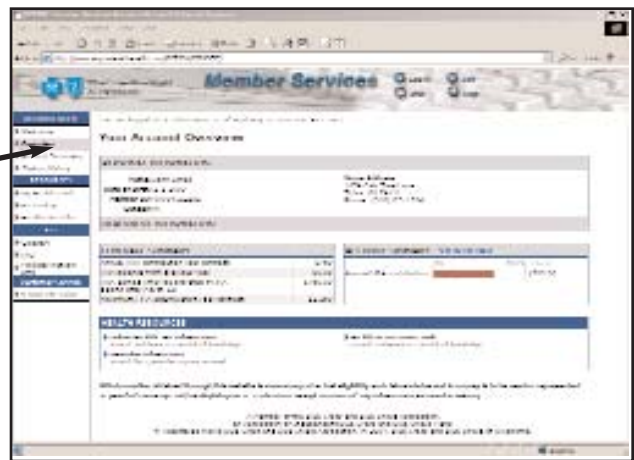
Consumer-driven Blue Health Reimbursement Accounts (HRAs)

Online member services — My HRA

Your participating employees will have secured access to information about their health reimbursement account through Blue Cross and Blue Shield of Oklahoma’s online member services, available at www.bcbsok.com. The Web site features:

- Up-to-date, personal account information.
- Individualized claims history.
- Rx lookup - employees can compare the price of prescriptions, as well as a prescription drug’s uses, side effects and interaction dangers.
- Online health information and health risk assessment tools, as well as links to other Web sites members can use to manage their health.

“My HRA,” located at www.bcbsok.com, is a secure location for employees to view their HRA account information



Other features of the health reimbursement account

- Wide variety of deductibles and HRA contribution levels for employers to choose from.

PPO Plan deductible*	HRA contribution level for single employee**
\$1,000	\$500
\$1,500	\$500, \$750
\$2,000	\$500, \$750, \$1,000
\$2,500	\$500, \$750, \$1,000, \$1,250
\$5,000	\$500, \$750, \$1,000, \$1,250, \$1,500, \$2,000 \$2,500

*The maximum deductible for family coverage is three times the individual deductible
 **Funding level for family coverage (whether employee and spouse; employee and children; or employee and family) can be the same as for single coverage or two times the funding for single coverage



Other features of the health reimbursement account (continued)

- Eligible out-of-pocket expenses will automatically be processed against the HRA — your employees do not need to file a claim to receive reimbursements from their accounts.

The following are examples that are eligible for HRA reimbursement:

- Any dollar amount applied to the annual deductible
- Emergency room deductible (\$100 per occurrence)
- Member coinsurance amounts
- Any dollar amount applied to the prescription drug benefit deductible (if applicable to the PPO plan you select)

The following are examples that are NOT eligible for HRA reimbursement:

- Out-of-network hospital deductible
 - \$500 penalty for not obtaining precertification
 - Separate prescription drug card benefit copayments and coinsurance
 - Non-covered services
 - Services or charges that exceed benefit limits
 - Balance bill amounts from non-network providers
 - Office visit copayments (if applicable to the PPO plan you select)
- Member reimbursements are paid on a weekly basis from the employer's bank account.
 - You may offer your employees the option of having HRA payments directly deposited into their checking or savings account.
 - Unused balances in the HRA roll over at the end of each calendar year, up to a maximum balance of three times the annual contribution.
 - Statements, including account balance, are provided to the member with each payment.
 - Members can view their HRA balance and activity online through a secured site at www.bcbsok.com.
 - Online claims and account balance reporting is available for the employer.
 - If an employee terminates employment, HRA funds are no longer available unless the employee takes a COBRA policy. Then the employer funds the HRA for the duration the employee is on COBRA coverage.

Please note: HRAs run on a calendar year. If the HRA begins after March 31, a prorated portion of the annual

HRA effective date	% of annual contribution received
Jan. 1 - March 31	100%
April 1 - June 30	75%
July 1 - Sept. 30	50%
Oct. 1 - Dec. 31	25%



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Health Reimbursement Accounts (HRAs)

Example of a member with single (employee only) coverage

Jane has single coverage

\$2,000 deductible PPO plan without an office visit copayment

\$1,000 annual HRA contribution

Beginning HRA balance = \$1,000	Year 1
PPO preventive care benefit pays: <ul style="list-style-type: none">● Annual well woman visit<ul style="list-style-type: none">-Office visit - Cost \$82 (insurance pays)-Lab tests - Cost \$36 (insurance pays)	\$118
HRA pays: <ul style="list-style-type: none">● Physical therapy visits<ul style="list-style-type: none">-Cost \$620 (HRA pays)● Orthopedic surgery<ul style="list-style-type: none">-Total cost \$6,000 (\$380 is paid by the remaining HRA balance, leaving \$5,620 in claims)	\$1,000
Jane pays: <ul style="list-style-type: none">● Remaining deductible for orthopedic surgery<ul style="list-style-type: none">-Total \$1,000 (Jane pays)● 20% of remaining claims amount for surgery (\$4,620)<ul style="list-style-type: none">-Coinsurance - \$924 (Jane pays)	\$1,924
PPO plan pays: <ul style="list-style-type: none">● 80% of remaining \$4,620 for orthopedic surgery<ul style="list-style-type: none">-Benefit - \$3,696 (insurance pays)	\$3,696
HRA rollover at year end	\$0

Example of a member with single (employee only) coverage continued on next page

Please note: Any amounts mentioned in these explanations are examples only and may not represent your actual cost.

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Health Reimbursement Accounts (HRAs)

Example of a member with single (employee only) coverage

Continued from previous page

Beginning HRA balance = \$1,000	Year 2
PPO preventive care benefit pays: <ul style="list-style-type: none">● Annual well woman visit<ul style="list-style-type: none">-Office visit - Cost \$86 (insurance pays)-Lab tests - Cost \$40 (insurance pay)	\$126
HRA pays: <ul style="list-style-type: none">● Physical therapy visits<ul style="list-style-type: none">-Cost - \$220 (HRA pays)● Allergy testing<ul style="list-style-type: none">-Cost - \$150 (HRA pays)	\$370
Jane pays:	\$0
PPO plan pays:	\$0 (deductible not met)
HRA rollover at year end (\$1,000 - \$370 paid by HRA)	\$630



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Health Reimbursement Accounts (HRAs)

Example of a member with family coverage

Shawn has family coverage that includes his dependents:
wife Holly, son Trevor and daughter Erica

\$2,000 deductible PPO plan with \$6,000 family maximum deductible (without an office visit copayment)
\$2,000 annual HRA contribution (2 x \$1,000 for family coverage)*

Beginning HRA balance = \$2,000	Year 1
PPO preventive care benefit pays: <ul style="list-style-type: none"> ● Physical for Shawn <ul style="list-style-type: none"> -Office visit - cost \$145 (insurance pays) -Lab tests - cost \$52 (insurance pays) ● Well child care visits and immunizations for Erica <ul style="list-style-type: none"> -Cost \$212 (insurance pays) 	\$409
HRA pays: <ul style="list-style-type: none"> ● Emergency room visit for Trevor <ul style="list-style-type: none"> -Cost - \$480 (HRA pays) ● Dermatologist visit for Holly <ul style="list-style-type: none"> -Cost \$110 (HRA pays) 	\$590
Shawn pays:	\$0
PPO plan pays:	\$0 (deductible not met by any individual)
HRA rollover at year end (\$2,000 - \$590 paid by HRA)	\$1,410

Example of family coverage continued on next page

***Note:** Employers can choose to contribute the same HRA amount for all employees, or they can contribute two times the single HRA amount for employees with family coverage (whether employee and spouse, employee and children or employee and family).



Example of a member with family coverage

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Beginning HRA balance = \$3,410 (\$2,000 + \$1,410)	Year 2
PPO preventive care benefit pays: <ul style="list-style-type: none"> ● Well woman visit for Holly <ul style="list-style-type: none"> -Office visit - cost \$90 (insurance pays) -Lab tests - \$43 (insurance pays) ● Well child care visits for Trevor <ul style="list-style-type: none"> -Cost - \$194 (insurance pays) 	\$327
HRA pays: <ul style="list-style-type: none"> ● Outpatient surgery for Trevor <ul style="list-style-type: none"> -Total cost - \$2,500 -Deductible - \$2,000 (HRA pays) -Coinsurance - \$100 (HRA pays) ● Office visit and x-rays for broken wrist for Erica <ul style="list-style-type: none"> -Cost - \$340 (HRA pays) ● Physical therapy visits for Trevor <ul style="list-style-type: none"> -Cost - \$950 -Coinsurance - \$190 (HRA pays) ● Dermatologist visit for Holly <ul style="list-style-type: none"> -Cost - \$130 (HRA pays) 	\$2,760
Shawn pays:	\$0
PPO plan pays: <ul style="list-style-type: none"> ● 80% of remaining \$1,450 for Trevor's surgery and physical therapy <ul style="list-style-type: none"> -Benefit - \$1,160 (insurance pays) 	\$1,160
HRA Rollover at year end (\$3,410 - \$2,760 paid by HRA)	\$650



The Health Savings Account vs. The Health Reimbursement Account

What is the difference?

	HSA	HRA
Who is eligible?	Any individual covered under a qualifying health plan who is not eligible for Medicare and cannot be claimed as a dependent on another's tax return.	An employee who satisfies the eligibility criteria of the employer. Sole proprietors, partners and 2% shareholders in S corporations cannot participate.
Who contributes the funds?	The employee/account holder, the employer or both.	The employer.
What expenses are eligible?	Any qualified medical expense permitted under federal tax law.	Expenses the plan defines as eligible (often limited to deductible and coinsurance expenses).
Can funds be used for non-medical expenses?	Yes, but those distributions are taxable and subject to 10% penalty.	No.
Can funds be rolled over from previous calendar year?	Yes.	Yes, but the plan may limit the amount or specify a maximum account balance.
Are accounts portable?	Yes.	Only if allowed by the plan.
Do account funds accrue interest?	Yes, if the account's minimum deposit level is reached.	No. The employer deposits funds into the employee's HRA on an as-needed basis.
Is employer or administrator required to verify funds are used for qualified expenses?	No. If requested by IRS, account holder must substantiate any distributions from the account.	Yes. Each medical expense submitted for reimbursement must be substantiated prior to reimbursement.





BlueCross BlueShield of Oklahoma

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an Association of Independent Blue Cross and Blue Shield Plans.

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This is not a contract. The product description in this brochure is not intended to be more than a summary of benefits available to you through the program. This brochure does not contain a complete listing of the exclusions, limitations and conditions that apply to the benefits shown, nor does it contain additional benefits that may be available to you. Full information can be found, including medical necessity and pre-existing condition provisions, in the specific product's contract or the member's certificate of benefits booklet. The information in this brochure about health reimbursement arrangements is a summary, and if you have specific questions about HRAs or any employer sponsored health benefit plan, you should consult your plan administrator or tax advisor.

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