



## HRA, HCSP, HSA, and MDEA – More Than Just Alphabet Soup

Professional Development Day

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### All Types of Accounts

- ◆ **Advantages**

- < Money is not taxed, therefore
- < Spendable amount is greater, and
- < Federal and state income taxes and Social Security taxes are less

- ◆ **Disadvantages**

- < Possible impact on Social Security benefits
- < Use only for qualified expenses
- < May have limited time frame to use the money
- < Unused balance may be forfeited



## Medical/Dental Expense Account (MDEA)

- ◆ **Eligibility:**
  - < Employee eligible for insurance (need not enroll)
- ◆ **Funding:**
  - < Employee funded, 24 payroll deductions during calendar year
  - < Employer pays admin fee
  - < No interest or earnings on account
  - < Minimum \$100, maximum \$5,000 per calendar year
  - < Max will change to \$2,500 in 2013

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## MDEA, cont.

- ◆ **Enrollment:**
  - < Enroll during Open Enrollment
  - < Enroll or change mid-year only for qualifying event such as
    - Change in insurance eligibility status
    - Unpaid leaves of absence
    - Changes in number of eligible dependents
  - < Account administered by Eide Bailly

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## MDEA, cont.

### ◆ Uses

- < Employee, spouse, and eligible dependents
- < Out-of-pocket medical and dental expenses
- < OTC meds other than insulin only with RX
- < OTC supplies (bandages, syringes, etc.)
- < Expense must be incurred during coverage period
- < Cannot use for insurance premiums of any kind
- < Must be limited purpose account if employee or spouse has a high-deductible health plan and HSA

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## MDEA, cont.

### ◆ Period of coverage

- < January 1 through December 31 if enrolled during Open Enrollment
- < Coverage begins no earlier than date insurance coverage would begin
- < Coverage ends on last day of employment unless electing continuation of coverage – “use it or lose it”
- < Retirees may elect to contribute remainder in a pre-tax lump-sum payroll deduction prior to retirement
- < Employees on unpaid leave or terminating employment have COBRA option

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## State Health Reimbursement Arrangement (State HRA)

- ◆ **Eligibility:**

- < Employees, former employees, and retirees eligible for and enrolled in MN Advantage Health Plan on January 1, 2011, get \$125 State HRA

- ◆ **Funding:**

- < Reimbursements paid by employer's general assets
- < Amount varies
  - 2009 - \$250 (unused balance carries forward)
  - 2010 - None
  - 2011 - \$125

## State HRA, cont.

- ◆ **Funding, cont:**

- < No interest or earnings on account
- < Admin fee paid by current and former employees who have remaining balance from 2009 and are no longer enrolled in MN Advantage Health Plan

- ◆ **Enrollment:**

- < Eligible current and former employees are automatically enrolled
- < Account administered by Eide Bailly

## State HRA, cont.

### ◆ Uses

- < Employee, spouse, and eligible dependents
- < Out-of-pocket medical and dental expenses
- < OTC meds other than insulin only with RX
- < OTC supplies (bandages, syringes, etc.)
- < Expense incurred no earlier than date account is activated
- < Can use for LTC insurance premiums
- < Must be limited purpose account if employee or spouse has a high-deductible health plan and HSA

## State HRA, cont.

### ◆ Period of coverage

- < January 1 until account is exhausted
- < Account does not terminate during unpaid leave or employment termination
- < Unused balance carries forward to next year
- < No “use it or lose it”

## MnSCU Health Reimbursement Arrangement (MnSCU HRA)

- ◆ **Eligibility:**
  - < Currently only for IFO and Administrators based on contract/personnel plan
  - < Actively employed on January 3, 2011, and
  - < Eligible for and receiving employer contribution toward MN Advantage Health Plan on January 3, 2011
- ◆ **Funding:**
  - < Reimbursements paid by employer's general assets
  - < No interest or earnings on account

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## MnSCU HRA, cont.

- ◆ **Funding, cont:**
  - < Amounts based on IFO bargaining agreement and Administrators personnel plan
    - IFO - \$800
    - Administrators - \$600
  - < 2011 contribution is directed to HCSP if MnSCU HRA balance was \$700 or more on December 31, 2010
- ◆ **Enrollment:**
  - < Eligible employees are automatically enrolled
  - < Administered by Eide Bailly

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## MnSCU HRA, cont.

### ◆ Uses

- < Employee, spouse, and eligible dependents
- < Out-of-pocket medical and dental expenses
- < OTC meds other than insulin only with RX
- < OTC supplies (bandages, syringes, etc.)
- < Expense incurred no earlier than date account is activated
- < Can use for LTC insurance premiums
- < Must be limited if employee or spouse has a high-deductible health plan and HSA

## MnSCU HRA, cont.

### ◆ Period of coverage

- < Begins January 3, 2011
- < Ends when employer-paid health insurance ends
- < Unused balance carries forward to next year if still employed and eligible
- < Employees on unpaid leave or terminating employment have option to elect either
  - Alternative Coverage (no cost), or
  - COBRA (employee pays monthly premiums)
- < Unused balance forfeited

## Health Care Savings Plan (HCSP)

- ◆ **Eligibility**

- < Based on employee's collective bargaining agreement or personnel plan or other personnel policies (e.g., BESI)

- ◆ **Funding**

- < Employee and employer contributions based on barg agreement, personnel plan, or policy
- < No voluntary contributions
- < Investment returns
- < Account is owned by employee
- < Employee pays admin fees



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## HCSP, cont.

- ◆ **Enrollment**

- < Automatically enrolled when initial contribution occurs
- < May waive HCSP under certain circumstances
- < Account is administered by Minnesota State Retirement System

- ◆ **Uses**

- < Employee, spouse, and eligible dependents
- < Out-of-pocket medical and dental expenses
- < OTC meds other than insulin only with RX
- < OTC supplies (bandages, syringes, etc.)



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## HCSP, cont.

### ♦ Uses, cont.

- < Can use for medical, dental, Medicare, and LTC insurance premiums
- < In same calendar year that contributions are made to an HSA, either
  - Cannot be reimbursed from HCSP, or
  - HCSP must become limited purpose account

## HCSP, cont.

### ♦ Period of coverage

- < You may use the HCSP after you:
  - Leave employment
  - Retire
  - Are collecting disability benefits from a MN public pension plan
  - Are on medical leave of six months or longer
  - Are on a leave of absence of one year or longer
- < No “use it or lose it”
- < Ends when account is exhausted

## Health Savings Account (HSA)

### ◆ Eligibility

- < Employee enrolled in Advantage Consumer Directed Health Plan (ACDHP), a high-deductible health plan
- < Cannot be enrolled in any other health plan that is not a high-deductible plan, including Medicare
- < Currently only available to
  - Administrators
  - Commissioner's Plan employees
  - Managerial Plan employees

## HSA, cont.

### ◆ Funding

- < Employer contributions
- < Voluntary employee contributions
- < Voluntary dependent family member contributions
- < Investment returns
- < Employer pays admin fees

### ◆ Enrollment

- < Within first 35 days of employment, or
- < Within 30 days of becoming newly eligible, or
- < During Open Enrollment
- < Account administered by financial institution

## HSA, cont.

### ◆ Uses

- < Employee, spouse, and eligible dependents
- < Out-of-pocket medical and dental expenses
- < OTC meds other than insulin only with RX
- < OTC supplies (bandages, syringes, etc.)
- < Expense incurred no earlier than date account is activated
- < Can use for LTC, COBRA, and after-tax health insurance premiums except for Medicare supplement plans

## HSA, cont.

### ◆ Period of coverage

- < Begins on date the account is funded
- < Unused balance carries forward, no “use it or lose it”
- < Ends when account is exhausted

## Spending the Money in the MDEA and HRA Accounts

### ◆ Option 1 – Reimbursement Requests

- < Purchase or pay for eligible expenses
- < Submit Reimbursement Request form via mail, fax, or online
- < Include documentation of expenses
  - Itemized receipts
  - Billing statements
  - EOB from insurance
- < Deadline to submit claims is last day of February

## Spending, cont.

### ◆ Option 2 – Use the Benny™ card to pay for the item or service

- < Save receipts or other documentation in case you are asked to send copies to Eide Bailly
- < Some items and services cannot be paid using the Benny card per IRS regulations

### ◆ Order of account use

- < MDEA, if any
- < \$250 State HRA from 2009, if any
- < \$125 State HRA from 2011
- < MnSCU HRA, if any

## Spending the Money in the HSA

- ◆ A debit card is provided by the financial institution that holds the HSA
- ◆ Manual requests for withdrawals are also allowed to cover qualified expenses

## Spending the Money in the HCSP

- ◆ When eligible to use account, submit reimbursement request forms and documentation to MSRS
- ◆ Currently no debit card attached to account