

HRA ADVANTAGE

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Bridge Plan

- The Bridge HRA plan pays deductible or coinsurance amounts that are not paid by the Employer's insured plan. It provides a "bridge" between the out-of-pocket expenses of a low deductible policy and the higher out-of-pocket amounts of a premium saving higher deductible policy.
- This type of plan design is also often referred to as a split-funded or partially self-funded plan. These types of plans help control healthcare costs because:
 1. *Actuarial data shows that 15% of Employees are high risk healthcare users, 30% are medium risk users and 55% are very low healthcare users.*
 2. *Based on the amount of claims an Employer can anticipate using these actuarial numbers, there can be significant savings in buying a high deductible plan and implementing a Bridge HRA.*



HRA Advantage is an effective and simple way for an Employer to take control of Employee healthcare benefit costs. A Health Reimbursement Arrangement is a type of medical reimbursement plan that allows the Employer to contribute tax-free dollars to designated Employee accounts. These HRA dollars can be used to pay for any or all of the same expenses as a Health Savings Account (HSA) and a Section 125 Health Flexible Spending Account. Unlike a Health Savings Account, Employer healthcare dollars can only be used for healthcare expenses.

HRA ADVANTAGE

What Benefits Can an Employer Include in a Health Reimbursement Arrangement?

Expenses that are not covered by the Employer's group health insurance plan can be reimbursed through a Health Reimbursement Arrangement. These can include:

- Insurance Copayments and Deductibles
- Prescription Drugs
- Many Over-the-Counter Medicines (when a Letter of Medical Necessity is provided).
- Dental Care Expenses
- Vision Care Expenses
- Individual Major Medical Health Insurance Premiums

Benefits can be limited to reimburse only specific categories of expenses such as only insurance deductible and out-of-pocket amounts and/or copayments (a "bridge" HRA).

What are the Benefits an Employer will realize by sponsoring a Health Reimbursement Arrangement?

- Lower insurance costs when combined with higher deductible health insurance plans
- The ability to fine-tune benefits
- Compliments Flex Plans and may enhance participation (greater participation means greater tax savings)
- Administrative costs are tax deductible



What Happens to the Money That an Employer Puts into a Health Reimbursement Arrangement?

Once an Employer establishes an HRA, the Plan will pay for eligible expenses incurred by plan participants (Employees and their dependents). Unlike a Health Flexible Spending Account, there is no requirement that the entire amount of the annual allocation be available on the first day of the plan year. The Employer has the option to make HRA funds available all at once or in equal portions periodically throughout the plan year.

The Employer also maintains control of any unused HRA dollars. The Employer can allow Employees to carry over all or part of those unused dollars to the next year (rollover) or have unused balances forfeited at the end of each year. Offering rollover of all or part of unused balances encourages plan participants to be better healthcare consumers.



Who Can Participate in a Health Reimbursement Arrangement?

- All benefits-eligible Employees, as defined by Section 401(c) of the Internal Revenue Code.
- Collective bargaining and leased Employees can participate, unless they are specifically excluded by the Employer.
- Sole proprietors of a business, general partners of a partnership and more than 2% shareholders in a Sub-Chapter S Corporation are excluded from participating. However, spouses and other family members of the owner may be eligible if the business is a partnership or sole proprietorship, but not if the business is a Sub-Chapter S Corporation.

HRA Bridge Plan Design Options

Bridge Plans can be simple or complex. The more complicated the plan, the greater potential for higher Employer costs, both for administration and actual claims.

We separate these Bridge Plans into three categories:

Basic Bridge Plan

- Plan reimburses only health insurance plan deductibles or deductibles and coinsurance.
- Plan can be limited to a certain category of expenses such as the major medical deductible.
- Plan has a single benefit level.
- The plan is simple to explain to Employees and simple to administer.
- Claims can be processed from either insurance carrier provided duplicate Explanation of Benefits (EOBs) or from participant completed claim forms.


Extreme Bridge Plan

- Often includes reimbursement of deductibles, coinsurance and copayment amounts along with multiple benefit levels for different classes of medical expenses and/or different Employee groups.
- Often implemented in plans subject to union collective bargaining.
- Some classes of expenses (prescription drug copayments, etc.) may require a claim form to be completed.
- Higher administration costs.

Hybrid Bridge Plan

The Hybrid Bridge Plan is a High Deductible Health Plan (HDHP) that is normally used with a Health Savings Account. It allows the Employer to choose the participants' deductible and coinsurance percentages and (unlike a Health Savings Account) ensures that healthcare dollars are spent on healthcare expenses.

Bridge Plan designs can save the Employer money and offer control over medical benefit costs.



*It is important to keep
an HRA Advantage
plan simple.*

- Simple plan designs are better understood and appreciated by plan participants.
- Simple plan designs often are less expensive to administer.
- Simple plan designs better control healthcare plan costs.

HRA ADVANTAGE

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100 2nd St. SW | Waverly, IA 50677 • www.advantageadmin.com

PH: 1-800-383-1623 • FX: 319-352-4018 or 319-352-2610

E-mail: enrollment@advantageadmin.com | cafeteriasales@advantageadmin.com