



# What is a health reimbursement arrangement?

A health reimbursement arrangement (HRA) is a type of health plan that reimburses out-of-pocket health care costs incurred by you, your spouse, and qualified dependents. All contributions, investment earnings, and withdrawals (claims) are tax-free!

The HRA VEBA plan is offered by a non-profit trust<sup>1</sup> and has been adopted by over 250 governmental employers in Washington, Oregon, and Idaho.

# Why should I have an HRA?

Public employees everywhere are struggling to cope with the soaring cost of health care, while working and after retiring. Active employees can choose to use the HRA VEBA plan to offset increased medical plan costs, receiving more value from their benefits package.

Don't become job-locked. Employees eligible to retire are often forced to keep working because they can't afford to pay their retiree medical premiums. You work hard and deserve to enjoy a stress-free retirement. The HRA VEBA plan can help you to save a portion of what you earn today for when you need it most.

## Plan Benefits

### You . . .

...pay no tax on contributions, earnings, and withdrawals (claims)

...can use your account anytime—after becoming claims eligible<sup>2</sup>

...choose your investments

### Your . . .

...spouse and dependents are covered—even if you die

...unused account balance carries over from year to year—no annual “use-it-or-lose-it” requirement

<sup>1</sup> HRA VEBA Trust was formed in 1990 and is a voluntary employees' beneficiary association (VEBA) authorized under Internal Revenue Code § 501(c)(9). HRA VEBA Trust is managed by a board of trustees elected by the plan participants.

<sup>2</sup> Depending on your employer's plan design, account usage may be subject to vesting or post-separation coverage only.

# How do I benefit from the HRA VEBA plan?

HRA VEBA saves you money. You pay zero tax on contributions, earnings, and withdrawals (claims). In other words, the money goes in tax-free, is invested tax-free, and comes out tax-free. You may save up to \$300 or more in taxes for every \$1,000 contributed by your employer (tax savings are approximate and vary by individual).

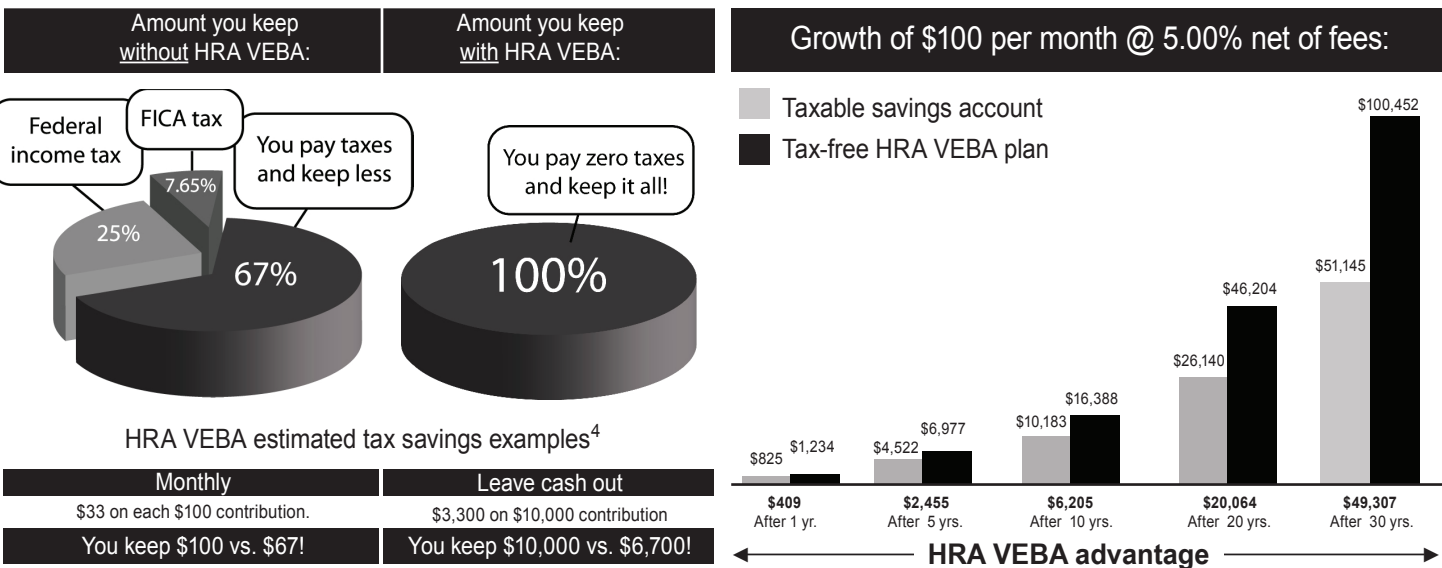
## Tax-free Contributions

You and your employer pay zero tax on HRA VEBA contributions. Contributions to tax-deferred programs, such as your IRA, 457, 401(k), or 403(b) plans, are subject to FICA tax, and federal income tax is merely postponed until you make withdrawals.

Below are several of the most common HRA VEBA contribution sources<sup>3</sup>. In most cases, your employer contributes funds which would otherwise be paid to you as taxable income (e.g. salary, wages, sick leave, etc.). When your employee group elects to exchange taxable income for tax-free HRA VEBA contributions, you get to enjoy significant tax savings — even better than your tax-deferred investments!

1. Mandatory employee contributions (no individual elections)
2. Sick, vacation, personal, and other leave cash outs
3. Part or all of a future pay raise or COLA
4. Unused monthly benefit dollars
5. Premium savings from lower-cost medical plans
6. Other eligible sources

## Keep more of your money



## Enrollment

After your employee group adopts HRA VEBA and you become eligible to participate, you must submit a completed and signed Enrollment Form. All employee group members defined as eligible must participate per IRS rules.

<sup>3</sup> If you need to confirm how mandatory employee contributions (or other contributions) to HRA VEBA may affect your pension benefit, contact your employer or state's Department of Retirement Systems.

<sup>4</sup> Tax savings examples (1) are for illustrative purposes only and vary based on your personal tax situation; and (2) assume 25% federal income tax savings on contributions and earnings and 7.65% FICA tax savings on contributions. You should consult a professional advisor regarding your personal tax situation.

**Amount today's average public retiree and spouse will spend on health care during retirement:**

**\$300,000+**

## Tax-free Investments

Invest your account by choosing either one of two options. You can change your investment selection anytime up to once per calendar month. Fund management fees vary by fund(s) selected.

### Option A: Do-it-yourself

Build your own portfolio using funds from among seven individual asset classes.

- Stable Value
- Total Return Bond
- Balanced
- Large Cap Equity
- Mid Cap Equity
- Small Cap Equity
- International Equity

### Option B: Choose a pre-mix

Select any one of four professionally designed pre-mixed asset allocation portfolios. Each pre-mixed portfolio's risk level gives strong consideration to your projected time horizon (i.e. the length of time until you expect to begin filing claims).

- Immediate Use (0-1 years)
- Short-term Use (2-3 years)
- Medium-term Use (4-5 years)
- Long-term Use (6+ years)

## Tax-free Withdrawals (claims)

### It's easy to file a claim

After becoming eligible to file claims, simply submit a properly completed and signed Claim Form along with proof of expense. Claims are processed daily.

Use a Systematic Premium Reimbursement Form to request automatic reimbursement of recurring qualified insurance premiums.

### Direct deposit is fast and secure

Sign up for direct deposit (recommended). It's a faster and more secure way to receive your reimbursements.

## Online Services

### myHRAVEBA online

After logging in to your account, you will be able to quickly and easily:

- View your account balance and transaction history
- Track claims in progress
- View claims history
- Submit a change of address
- Update your investment selection(s)
- Update your covered spouse and dependent information
- And more!

### e-Communication

Get important information quickly and securely by signing up for e-communication (recommended). Instead of waiting to receive private information in the mail, e-communication provides e-mail notification to you as soon as your participant activity statements and explanations of benefits (EOBs) are available for online viewing.

## Survivor Benefit

If you pass away, remaining funds in your account may continue to be used by your surviving spouse and qualified dependent(s) to reimburse eligible healthcare expenses and premiums. Surviving spouses and qualified dependents enjoy the same tax advantages as participants.

If you have no eligible survivors, remaining funds will be forfeited and redistributed per the instructions in your employer's adoption documents. IRS Revenue Ruling 2006-36 does not permit the payment of benefits to non-dependent heirs.

To learn more, or to schedule a group presentation, contact:

**VEBA Service Group, LLC**

Western Washington

**1-800-422-4023**

Eastern Washington and Idaho

**1-800-888-VEBA (8322)**

Oregon

**1-877-695-3945**

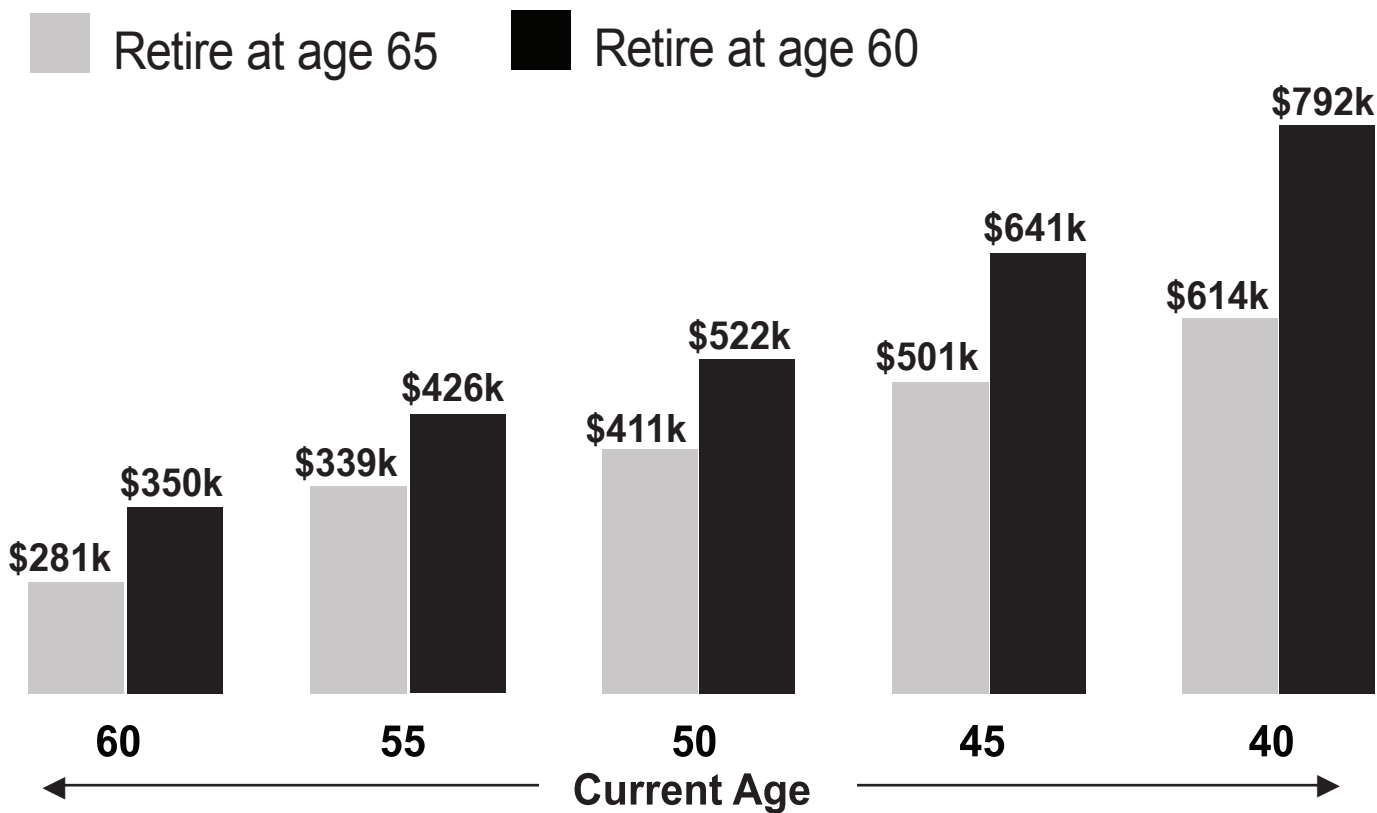
# How much will you spend on health care during retirement?

Find your current age on the chart below.

The average 60-year-old public employee and spouse retiring today may spend well over \$300,000 of their own money on healthcare expenses and insurance premiums during retirement! Fortunately, HRA VEBA can help. Contact a VEBA Service Group, LLC office near you. In Western Washington, call 1-800-422-4023; in Eastern Washington and Idaho, call 1-800-888-VEBA (8322); in Oregon, call 1-877-695-3945.



Retiree and spouse health insurance premiums average over \$900 per month. After enrolling in Parts A and B of Medicare, this amount may decrease to about \$300 per month.



The above 2009 projections are based on current average PEBB-sponsored retiree medical and dental premium amounts for public retirees in Washington, current standard Medicare Part B premiums, and current average Medicare Part D premiums for subscribers in Washington. Following are the basic assumptions: (1) employee and spouse retire at age 60 or 65 and live to age 84; (2) both parties enroll in PEBB-sponsored retiree medical (\$923/month for both parties) and dental (\$77/month for both parties); (3) at age 65, both parties enroll in Part A (no cost), Part B (\$96.40/month per person), and Part D (\$47.40/month per person); (4) reduced PEBB retiree medical premium at age 65 for both parties (\$315/month current average); (5) \$500 per year miscellaneous out-of-pocket costs (deductibles, co-pays, etc.); (6) Five percent annual increase in retiree medical and dental premiums; and (7) Two percent annual increase in Medicare Part B and Part D premiums.

## Fees

Plan expenses include claims processing, printing, postage, legal fees, consulting, local servicing, auditing, etc. These costs are paid by a \$1.50/month per account fee, plus an annualized fee of approximately 1.25%.

The annualized fee is paid by a reduction to investment earnings or, if there are no earnings, charged as a deduction to participant accounts.

## Third-party Administrator (TPA)

The third-party administrator, Meritain Health, provides customer service, claims processing, and participant account administration. Meritain Health has more than 30 years of experience and employs a specially-trained service team to assist you.

**HRA VEBA Third-party Administrator**  
 Meritain Health | PO Box 27810 | Minneapolis, MN 55427  
 Phone: 1-888-659-8828 | Claim Fax: (763) 582-3470  
 E-mail: [myHRAVEBA@meritain.com](mailto:myHRAVEBA@meritain.com)

## Qualified Expenses & Premiums

Below is a partial list of basic qualified expenses and premiums. Visit [hraveba.org](http://hraveba.org) to view a more extensive list.

<b><u>COMMON EXPENSES</u></b>	Standard	Hospital	Fertility treatments	Antacids
Co-pays		Laboratory	Hearing aids & batteries	Bug bite medication
Coinsurance	<b><u>MEDICARE COSTS</u></b>	Naturopath	Immunizations	Calamine lotion
Deductibles	Deductibles	Obstetrician	Laser eye surgery	Cold medicines
	Co-pays	Oral surgeon	Medical supplies and equipment	Cough drops
<b><u>INSURANCE PREMIUMS</u></b>	Coinsurance	Optometrist	Obstetrical expenses	Eye care products
Medical/Dental/Vision	Clinical laboratory services	Orthodontist	Operations	First aid creams/liquids
Long-term care (tax-qualified, subject to IRS limits)	Home health care	Osteopath	Organ transplants	
Medicare Parts B and D	Hospice care	Physicals	Physical therapy	
Medicare supplement plans	Hospital stay	Physiotherapist	Prescription medicines	
	Mental health services	Psychiatrist	Stop smoking programs	
	Outpatient hospital services	Psychologist	Telephone for deaf (TTY)	
		Specialists	Transportation (subject to IRS limits)	
<b><u>MILITARY COSTS</u></b>	<b><u>SERVICES &amp; FEES</u></b>	<b><u>OTHER EXPENSES</u></b>	Wheelchair	
TRICARE	Acupuncture	Alcoholism and drug treatment center	X-rays	
EXTRA	Chiropractor	Contact lenses, solutions		<b><u>OTC MEDICINES &amp; DRUGS</u></b>
PRIME (HMO)	Christian Science	Eye glasses		Allergy medicines
PRIME supplement	Dentist			
Retiree dental	Gynecologist			

Internal Revenue Code § 213(d) defines qualified expenses and premiums, in part, as “medical care” amounts paid for insurance or “for the diagnosis, cure, mitigation, treatment, or prevention of disease...” Expenses solely for cosmetic reasons generally are not eligible (e.g. face lifts, hair transplants, hair removal, etc.).

Please note the following:

1. Insurance premiums paid by an employer, or premiums that are or could be deducted pre-tax through your or your spouse's section 125 cafeteria plan, are not eligible for reimbursement.
2. If you or your spouse have a section 125 healthcare flexible spending account (FSA), you must exhaust the FSA benefits before submitting claims.
3. Claims for over-the-counter (OTC) medicines and drugs should be for reasonable quantities expected to be consumed within a reasonable period of time. Sales tax can be included.

**Questions?** Contact the third-party administrator, Meritain Health, at [myHRAVEBA@meritain.com](mailto:myHRAVEBA@meritain.com) or 1-888-659-8828.