

# Personal Funding Accounts



Premera offers specialized funding arrangements to help employees become more involved in managing their healthcare spending.

## Personal Funding Accounts for Your Organization

A Personal Funding Account from Premera Blue Cross can help decrease your Employee Benefits expenditures through tax savings and corresponding health plans' lower premiums, while increasing your employees' ability to manage their healthcare spending.

Premera's solutions are designed to support an employers' evolving objectives. We help employers drive the adoption of account-based health plans while promoting individual health and wellness. Our mission is to simplify the complexity of Personal Funding Accounts and to motivate employees to take responsibility for their health.

## Overview of the HRA

A Health Reimbursement Arrangement (HRA) is an employer-sponsored healthcare funding arrangement available to groups with 51 or more enrolled employees. HRAs offer employers greater flexibility and control in designing a total benefits package and give employees the convenience of integrated claims processing.

## How an HRA works

An employer determines the amount of money (allocation) available for the HRA each year. Employers also have several options to define how unused funds rollover at the end of the year for use towards next year's medical expenses. Because an HRA must be paid for solely by the employer, employees are not permitted to make contributions.

The full HRA allocation is immediately available on the plan effective date. Employees can use these funds to pay certain eligible expenses for medical care as selected by the employer. The availability of these funds and rules for their use give employees extra incentive to become engaged in their healthcare decisions and manage their healthcare spending wisely.

Because Premera administers the HRA, our integrated claims processing ensures that funds are automatically applied to eligible expenses for medical care and paid at the time of the claim. Premera pays all HRA-eligible expenses, up to the available HRA balance, on behalf of the employers at the time claims are processed. Employers then reimburse Premera via electronic funds transfer.



We're here. We're with you.

## HRA contribution and rollover options

Premera offers employers flexibility in how they fund their HRA and how those funds are allowed to accumulate over time:

- Employers set the allocation level based on a percentage of the plan deductible amount. Mid-year allocations are prorated based on the number of months left in the plan year. Larger groups have additional options.
- Employers also have a range of options to define how unused funds will roll forward each year and to set limits for maximum fund accumulation.

To provide additional flexibility and control to employers, we offer additional optional combinations for eligible expenses:

- If HRA funds cover coinsurance and the deductible, an employer may also choose to allow HRA funds to be applied to charges for medical services that exceed plan limits (for example, a 13th provider office visit when the plan covers only 12, or care received during waiting periods before plan coverage begins).
- HRA funds can be applied to billed charges for certain eligible expenses for medical care if not otherwise covered by the plan, such as hearing aids, LASIK eye surgery and smoking cessation programs.

## Overview of the HSA

A Health Savings Account (HSA) is an employee-owned, triple tax-advantaged account that works in combination with a qualified high-deductible health plan that allows employees to save, on a tax-advantaged basis, for future healthcare expenses.

HSA's are the optimal incentive to change employee behavior because employees own the account. Additionally, HSA's are the only tax-advantaged accounts that offer triple tax savings:

- Contributions are not taxed.
- Investments and interest are tax-free.
- Eligible healthcare expenditures are not taxed.

To be qualified to open or fund an HSA, employees must be covered by a qualified high-deductible plan and meet other IRS eligibility requirements. They may establish an HSA or add money to an existing HSA to fund out-of-pocket medical costs.



## Overview of the FSA

A Flexible Spending Account (FSA) is a tax-advantaged, employer-sponsored healthcare spending account that employees can use to pay for eligible healthcare or dependent-care expenses. FSAs can be paired with HSA, Dependent Care FSA, or HSA (with limitations).

### Health FSA

Both employers and employees can contribute to a health FSA, but the employer owns the fund, determines contribution limits and can make contributions if they so choose. Employee contributions are deducted from their paychecks on a pre-tax basis and can be used to cover eligible healthcare expenses covering qualified medical, dental, vision and over-the-counter expenses. Any funds left in the account at the end of the plan year (or at the end of the grace period elected by the employer) are retained by the employer.

### Dependent care FSA

Funds in this account must be funded by an employee for the care of dependent children under age 13, or for other dependents of any age who are physically or mentally incapable of self-care and live in the employee's home at least eight hours a day. The expenses must be necessary to allow the member or the employee's spouse/domestic partner\* to work, look for work or attend school full-time.

## Account Features and Benefits

- Healthcare Payment Card**  
 Depending on the plan design, your employees may receive a card to pay for expenses at eligible healthcare providers, eliminating the need to pay out of pocket and wait for reimbursements.
- Participant Portal**  
 Employees have access to an online portal to help them understand Personal Funding Accounts, obtain account information and manage their accounts.
- Fast and Accurate Claims Processing**  
 Claims are promptly processed and paid on the next scheduled reimbursement date.
- Employee Communications**  
 Comprehensive employee communications promote the value of Personal Funding Accounts and decrease questions to your busy HR department.
- Employer Dashboard**  
 The Employer Dashboard provides self-service enrollment, claims, and financial reports.

## Funding Arrangements At-A-Glance

FEATURES	HSA	HRA	Health FSA	Dependent Care FSA	Health Savings Account (HSA)
Requires qualified high-deductible healthcare coverage	Yes	No	No	No	An employee-owned account that works in combination with a qualified high-deductible health plan that allows employees to save for future medical costs through tax-advantaged contributions.
Fund owner	Employee	Employer	Employer	Employer	
Employee contributions allowed	Yes	No	Yes	Yes	
Employer contributions allowed	Yes	Yes	Yes	No	
Allocations / contributions subject to annual dollar limits	Defined by IRS	Employer discretion	Employer discretion	Defined by IRS	
Funds can be invested	If available through custodian	No	No	No	
Distributions permitted for non-medical reasons	Subject to tax	No	No	Yes	
Unused funds carry over year to year	Yes	Employer discretion	No	No	
Account is fully portable	Yes	No	No	No	
					<b>Health Reimbursement Arrangement (HRA)</b> An employer-sponsored healthcare reimbursement arrangement that employees can use to help pay coinsurance, deductible and other eligible expenses for medical care.
					<b>Flexible Spending Account (FSA)</b> A tax-advantaged, employer-sponsored healthcare spending account that employees can use to pay for eligible healthcare expenses or dependent care expenses. FSAs can be paired with many Premera health plans.

NOTE: This material is not intended to provide legal or tax advice. The law allows the combination of funds only to the extent that the combination complies with criteria specified in the law. Employees and employers should consult their own tax and legal advisors regarding which type or combination of funding arrangements is appropriate for their needs and circumstances.

\* Although your plan may provide for reimbursement of expenses incurred by your domestic partner, federal tax laws restrict the plan's ability to reimburse expenses incurred by an individual who is not your tax dependent. Because the tax laws applicable to domestic partners are complicated, you should consult with your tax advisor to determine whether your domestic partner is your tax dependent before you make any decisions under the plan.

# Thank you

Premera Blue Cross delivers complete benefit solutions, programs and tools that actively promote better health outcomes and help achieve sustainable healthcare costs.



This material is not intended to be tax or legal advice. The reader should consult with his or her own tax advisor to determine the tax implications of purchasing the products discussed herein.

Advice, if any, included in this material was not intended or written by Premera to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer.

**Premera Blue Cross**

7001 220th St. SW  
Mountlake Terrace, WA 98043  
800-722-5561

We're here. We're with you.