MyIEBP "Trusted Advisor for All Things Healthcare"

Consumer Centered Pre-Tax Benefit Management: Consumer Driven Benefit Plans

Improving the IEBP Membership Experience
Invest in the Tenured Political Subdivision Employees with TML MultiState IEBP, your “Trusted Advisor for All Things Healthcare”
Defined Benefit vs Defined Contribution

- **Defined Benefit**
  - Employers provide a specific health benefit package
  - *Employers* are in the driver seat of employee healthcare benefit options

- **Defined Contribution**
  - Employers provide a specific monetary contribution that employees can use to purchase the plan of their choice from among a group of different benefit options
  - *Employees* become the drivers of their personal and family healthcare benefit needs
  - Excess defined contribution dollars can be placed in a Health Reimbursement Account (HRA) or Health Savings Account (HSA) to pay for out of pocket healthcare expenses.
Pre-Tax Benefit Plans

- "Pre-Tax": This means that it is deducted from your pay prior to deductions being made for withholding, Medicare, and/or any other payroll taxes. This option should allow for your net pay to be a larger amount. However, this choice will prohibit you from making mid plan year changes in your coverage other than in certain limited circumstances prescribed by IRS rules.
  - **Section 125 (POP, FSA, and DCA)** - Employer and/or Employee funds may be deposited for medical eligible benefits: [Grace Period 2 month 15 days or maximum $500 Carry Over Amount](#)
  - **Health Reimbursement Arrangement (HRA)** - Employees that enroll on a less expensive PPO plan (not IRS Qualified High Deductible Health Plans) are able to have the excess Employer Defined Contribution dollars deposited into a Health Reimbursement Arrangement.
  - **Retiree Reimbursement Arrangement (RRA)** - Retirees may have access to their Retiree Reimbursement Arrangement per Employer’s agreement with IEBP. An administration fee of $3.70 per retiree will be charged for management of Retiree Reimbursement Arrangement.
  - **Health Savings Account (HSA)** - Employees that enroll on a less expensive IRS Qualified High Deductible Health Plan are able to have the excess Employer Defined Contribution dollars deposited into a Health Savings Account.

- "Post-Tax": This means that it is deducted from your pay after deductions are made for withholding, Medicare, and/or any other payroll taxes. This option should make your net pay a smaller amount. However, this choice may enable you to drop coverage mid plan year without the requirement of an IRS qualifying event.
Section 125 Cafeteria Plans

- Traditional "pre-tax" IRS Regulated benefit plans

  - **Premium Only Plan (POP):** Allows employer to deduct contributions/premiums for health and supplemental plan benefits on a "pre-tax" basis

- Pre-Tax Eligible Benefits Overview

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Yes/No</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRS approved Medical Benefits</td>
<td>Yes, Otherwise unreimbursed Code 213(d) medical expenses incurred while coverage in effect, but not expenses for insurance other than premiums for COBRA, a qualified long term care contract, or for a health plan while the individual is either receiving unemployment compensation or is over age 65 (other than a Medicare supplement policy)</td>
</tr>
<tr>
<td>Medical Premiums/Contributions</td>
<td>Yes</td>
</tr>
<tr>
<td>Dental Premiums/Contributions</td>
<td>Yes</td>
</tr>
<tr>
<td>Vision Premiums/Contributions</td>
<td>Yes</td>
</tr>
<tr>
<td>Flex Admin Costs</td>
<td>No</td>
</tr>
<tr>
<td>Life</td>
<td>No</td>
</tr>
<tr>
<td>Short Term Disability</td>
<td>No</td>
</tr>
<tr>
<td>Employee Assistance Program Premiums</td>
<td>Yes, if for medical payments (Case by case)</td>
</tr>
<tr>
<td>Medicare Part B Premium</td>
<td>Yes</td>
</tr>
<tr>
<td>Medicare Supplemental Benefit Premiums</td>
<td>Yes</td>
</tr>
<tr>
<td>Medicare Advantage Program Premiums</td>
<td>Yes</td>
</tr>
<tr>
<td>Medicare Out-of-Pocket Expenses</td>
<td>Yes</td>
</tr>
<tr>
<td>Supplemental Benefits: Catastrophic, Cancer, Accidental Premiums</td>
<td>Yes, if for medical payments (Case by case)</td>
</tr>
<tr>
<td>Long Term Care Premiums</td>
<td>Yes, if for medical payments (Case by case)</td>
</tr>
<tr>
<td>Dependent Healthcare Premiums</td>
<td>Yes</td>
</tr>
<tr>
<td>Dependent Healthcare Out-of-Pocket Expenses</td>
<td>Yes</td>
</tr>
<tr>
<td>Wellness Benefit Premiums</td>
<td>Yes</td>
</tr>
<tr>
<td>Wellness Benefit Out-of-Pocket Expenses</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Unreimbursed Healthcare Reimbursement Flexible Spending Account (FSA): Allows employee to pay certain medical, dental, vision and hearing care expenses not covered by insurance

- "Use-it or Lose-it"
- IRS maximum for 2018 is $2,600 per year or the amount established by the employer
- "Pre-tax" dollars are used to pay for IRS eligible expenses
- Can be employer and/or employee funded
- Employer Choice of no Grace Period, 2 ½ month Grace Period, or up to $500 Carryover
- COBRA/Continuation of Coverage (COC) Eligible
Dependent Care Account (DCA): Allows employee to contribute “pre-tax” dollars to pay for dependent childcare through the age of 12

- "Use-it or Lose-it"
- Employee funded
- IRS Maximum of $5,000 or $2,500 per year for married employees who file separate tax returns.
- Employer choice of no Grace Period or 2 ½ month Grace Period
- Not COBRA/COC eligible
Health Reimbursement Arrangement

- The Health Reimbursement Arrangement is an **Employer** owned account that remains employer monies and may be accessed at the time of service by the employee.

- Upon employee retirement or employment termination the fund belongs to the employer and may only be accessed by the terminated employee upon implementation of the Continuation of Coverage benefits.

- HRAs may be used to reimburse individuals for qualified healthcare expenses.
  - An HRA can cover both active employees and retirees (or just one group or the other), as well as their dependents.

- Employer funded only

- **NO IRS** maximum or minimum contribution requirements
  - Employers are allowed to determine the contribution amounts

- **NO "Use it or Lose it"** from year to year, unless employment ends
Health Reimbursement Arrangement

- HRAs are COBRA/COC Eligible
- HRAs Defined by IRS Notice 2002-45
  - HRAs are considered group health plans, and, as such, are subject to the group health plan standards of the ACA, including the ban on annual dollar limits.
    - Medicare also views HRAs in excess of $5000 as the primary benefit plan for Medicare eligible employees
  - HRAs cannot reimburse individuals for premiums paid for health insurance on the individual market, the federal marketplace or a state exchange, unless it is for dental, vision, or specific illness coverage.
    - Reimbursements may be made for COBRA/COC and retiree health insurance premiums.
  - Final Notice 2015-87 states that an employer cannot offer a Section 125 cafeteria plan that reimburses individuals for coverage on the individual health insurance market, whether the plan is funded by the employer or through salary reduction.
  - Retirees or former employees would not be eligible for a federal premium assistance tax credit in the federal or state marketplace because the HRA is considered group health plan coverage.
- HRAs may be converted to Retiree Reimbursement Arrangements upon retirement.
Retiree Reimbursement Arrangement

- Employer may elect to offer a Retiree Reimbursement Arrangement to eligible retirees
  - Employer will execute an RRA Amendment along with annual HRA Agreement

- Employer may allow the retiree the following options:
  - Access only to the remaining balance in the RRA for a monthly fee
  - Employer may continue to contribute monthly or annually to the RRA on the retiree’s behalf

- Employers should consult their legal counsel and/or review active retiree ordinances or resolutions for compliancy
Health Savings Account

• What is a Health Savings Account (HSA)?
  – The Health Savings Account is an Employee owned account that requires an individual relationship with the Health Savings Bank. This type of account can only be established if an individual is accessing a Qualified High Deductible Health Plan and does not have access to other benefits that could be accessed prior to the high deductible being met.

• With an HSA, you’ll have:
  – A tax-advantaged savings account that you use to pay for eligible medical expenses as well as deductibles, co-insurance, prescriptions, vision and dental care.
    • An HSA provides triple tax savings by reducing your Federal, State, and FICA taxes. Here’s how:
      – Contributions to your HSA can be made with pre-tax dollars, which reduces your taxable income.
      – Any after-tax contributions that you make to your HSA are tax deductible.
      – HSA funds earn interest tax free and when used for eligible healthcare expenses are also free from tax.
  – Unused funds that will roll over year to year. There’s no "use or lose it" penalty.
  – Potential to build more savings through investing. You can choose from a variety of HSA self-directed investment options with no minimum balance required.
  – Additional retirement savings. After age 65, funds can be withdrawn for any purpose without penalty.
  – Portability if employment ends with your employer. Unlike FSAs and HRAs, HSAs are owned by the employee, not the employer, so the account goes with you if your employment ends.
Health Savings Account (continued)

• What is a Qualified High Deductible Health Plan (HDHP)
  – An HDHP, or Qualified High Deductible Health Plan, is a major-medical health benefit plan that has lower contributions than traditional health plans.
  – The Qualified High Deductible Health Plan is annually defined by the Internal Revenue Service.

• Your HDHP:
  – Is a major-medical health plan that is HSA-compatible. That means it can be used with a health savings account.
  – Has a higher annual deductible with lower monthly contributions, which means you’ll have less taken out of your paycheck and more to add to your HSA.
  – Covers 100% of preventive care, including annual physicals, immunizations, well-woman and well-child exams, and more – all without having to meet your deductible.
Health Savings Account (continued)

• How much can I contribute to my HSA?
  – Contributions can be made by the eligible employee, their employer, or any other individual. Annual contributions from all sources may not exceed $3,450 for singles or $6,900 for families in 2018. Individuals aged 55 and over may make an additional $1,000 catch-up contribution.

<table>
<thead>
<tr>
<th>IRS Regulated Qualified High Deductible/HSA Guidelines</th>
<th>2019</th>
<th>2018*</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limitation on deductions with coverage under a qualified high deductible health plan (HDHP)</td>
<td>Self-Only: $3,500</td>
<td>Family: $7,000</td>
<td>Self-Only: $3,450</td>
</tr>
<tr>
<td>Annual deductible for coverage that is not less than</td>
<td>Self-Only: $1,350</td>
<td>Family: $2,700</td>
<td>Self-Only: $1,350</td>
</tr>
<tr>
<td>Qualified High Deductible/H.S.A. Health Plan MOOP amount/Annual out of pocket expenses (deductibles, copayments, and other amounts, but not premiums) for coverage</td>
<td>Self-Only: $6,750</td>
<td>Family: $13,500</td>
<td>Self-Only: Do not exceed $6,650</td>
</tr>
</tbody>
</table>

*Plan Year 2018-2019 IEBP will use the Calendar Year 2018 Federal Government Maximum Out of Pocket Regulations. If you are age 55 or older by the end of the year you can contribute additional $1,000 to your H.S.A. If both husband and wife are age 55 or older, they must have two HSA accounts if they want to contribute the maximum.
Administrative Plan Overview

• All Consumer Driven Plans are protected under HIPAA Privacy Rules.
• Typical Eligible Medical or Medical-Related Expenses with Pre-Tax Dollars
    • "Medical Care Expenses" means expenses incurred by a Participant or by his or her Spouse or Dependents for medical care, as defined under Internal Revenue Service (IRS) Code § 213 (including, for example, amounts for certain hospital bills, doctor and dental bills and prescription drugs).
    • The list originates from a database of more than 55,000 health and beauty aid items that is continually updated with new product introductions and discontinuations.
  – Eligible Over the Counter (OTC)
    • OTC products that are for medical care and are primarily for a medical purpose.
  – Prescribed Drugs and Medicines, including Prescribed OTC
  – Dual-Purpose
    • May have both a medical purpose and a personal hygiene, cosmetic or general health purpose.
    • Must be used to treat a medical condition and cannot be used to improve or maintain general health unless prescribed by a physician to treat a specific illness, condition or injury.
    • A letter of medical necessity from a licensed healthcare professional is required stating the specific diagnosis or medical condition, the specific OTC medicine recommendation to treat the condition, and documentation of the product and cost
• Reimbursement and Substantiation
  – If a member pays out of pocket for an expense without using their debit card, a manual reimbursement request may be submitted.
  – In some cases, IEBP may request documentation to substantiate debit card transactions.
    • This will mostly occur with chiropractic services because ineligible expenses are often claimed in this setting.
  – For reimbursements and substantiation, IEBP will require itemized bills and/or receipts, including pharmacy tags.
IEBP Value Add Consumer Driven Plans

- IEBP offers administration of all Consumer Driven Plans:
  - Billing and Enrollment
  - FSA, DCA, HRA, RRA, and for HSAs, an integrated administration platform with Liberty Health Savings Bank
  - All account types are accessible with a single debit card
IEBP Resources

• Consumer resources are available at iebp.org.

Manage your accounts, request reimbursement or submit itemized receipts or EOBs.
IEBP Resources (continued)

CONSUMER CENTERED/PRE-TAX BENEFIT GUIDE

MemberCentric Plans include: Section 125 (Flex), Health Reimbursement/Retirement Reimbursement, and Qualified High Deductible Health Savings Account Plans.

In October 2011, TML MultiState IEBP (IEBP) developed the IEBP Consumer Centered Pool Plans to create a personalized approach for the covered individual to access a MemberCentric health plan for themselves and their eligible family members. The MemberCentric health benefit model encourages the covered individual to be more knowledgeable about healthcare benefit options and recognize the positive impact of healthy lifestyles.

The ideal health benefit plan involves an integrated patient, physician/provider, and payer communication model. This MemberCentric Plan anticipates the covered individual’s healthcare needs and provides evidence based resources to support a healthy lifestyle.

- Member Let’s Get Educated Rights and Responsibilities Postcard
- Overview of Consumer Plan Options
- Section 125 Pre-Tax Medical Eligible Benefits
- IEBP Consumer Centered Pool Plan Options
- Replicating IRS Minimum and Maximum Regulations
- Qualified High Deductible H.S.A. Health Plan Overview
- Qualified High Deductible H.S.A. Health Plan Diagram
- Qualified High Deductible H.S.A. Health Plan Wellness Drug List
  (OTC, PPACA No Cost Share Mandates)
- Health Savings Account Contribution Matrix Limits
- Health Savings Account Catch up Contributions
- HRA Spenddown Pool Plan Agreement
- Benefits Debit Card Management Tips
- IRS Form 1099 SA Instructions
- IRS Form 5498 SA Instructions
- Debit Card Information
IEBP Resources (continued)

- Direct account management from [https://tml.wealthcareportal.com](https://tml.wealthcareportal.com) or access from a single sign-on at [www.iebp.org](http://www.iebp.org).
- Access to interactive resources, calculators, and real-time balance information.
Consumer education materials are available in the **Forms and Document Library**

**CONSUMER DRIVEN BENEFITS**

- **DOCUMENTS**
  - High Deductible HSA Plan Overview
  - High Deductible HSA Preventive Drug List
  - HRA Limited Post Deductible Plan Book
  - HRA Plan Book
  - Liberty Savings Bank HSA Welcome Guide
  - Section 125 Plan Book - Grace Period QE
  - Section 125 Plan Book - Premium Only QE
IEBP Resources (continued)

- Contact an IEBP Benefit Service Specialist or Billing and Eligibility Representative for assistance.

<table>
<thead>
<tr>
<th>Section 125, Limited Post Deductible HRA, HRA, &amp; RRA Accounts</th>
<th>Health Savings Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="TML MultiState Logo" /> TML MultiState IEBP</td>
<td><img src="image" alt="Liberty Health Bank Logo" /> Liberty Health Bank Customer Service</td>
</tr>
<tr>
<td>1821 Rutherford Lane #300 Austin, Texas 78754</td>
<td>2323 Stickney Point Road Sarasota, Florida 34231</td>
</tr>
<tr>
<td>(800) 348-7879 Mon-Fri 8:30 AM - 5 PM (CST)</td>
<td>(844) 577-7792</td>
</tr>
<tr>
<td>24-Hour Automated Balance Information (800) 282-5385</td>
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</tr>
<tr>
<td><a href="http://www.iebp.org">www.iebp.org</a></td>
<td><a href="https://tml.wealthcareportal.com">https://tml.wealthcareportal.com</a></td>
</tr>
</tbody>
</table>
IEBP Resources (continued)

• **HSA Issues Serviced by IEBP - (800) 282-5385**
  - Basic HSA issues and questions should be handled by IEBP. Examples *(not a complete list)* of basic HSA issues are:
    • What is my HSA account number?
    • How do I reimburse myself from my HSA?
    • How can I make deposits to my HSA?
    • What is my HSA balance?

• **HSA Issues Serviced by Liberty Savings HSA Bank - (844) 577-7792**
  - Liberty Savings HSA Bank specific questions that IEBP is not able to answer and more complex HSA issues should be directed to the Liberty Savings HSA Bank Customer Support team at the number above. Examples *(not a complete list)* of HSA issues that should be transferred to Liberty Savings HSA Bank Customer Support are:
    • Do I qualify for the investment option and how do I access it?
    • Can I use my HSA funds for anything other than medical expenses?
    • I am leaving my Employer, what do I do?
    • My Employer made a mistaken contribution to my HSA account, now what?
Have a Great Day!

Your Time is Appreciated