

Newtown

Active Employees Enrolled in Medicare

Health Reimbursement Arrangement (HRA)

Highlights

IRS regulations preclude members who are enrolled in Medicare from making or receiving tax advantaged contributions to a Health Savings Account (HSA) if they are enrolled in Medicare.

Understanding the Contribution Preclusion:

- IRS deems Medicare “other” medical coverage and thus will not allow a participant who is enrolled in Medicare to make or receive tax advantaged HSA contributions.
- This preclusion applies even if the participant is enrolled in Medicare Part A only.
- This preclusion does apply to active employees even though Medicare will be the secondary payer.
- The preclusion would apply to the employee only. If a spouse or another dependent is enrolled in Medicare (Part A only or Parts A&B) but the employee is not enrolled in Medicare, then the employee can make or receive tax advantaged contributions to the HSA.
- This preclusion is triggered only if the employee is enrolled in Medicare. An employee who is 65 years or older but not enrolled in Medicare is eligible to make or receive tax advantaged HSA contributions.
- An employee who has not yet enrolled in Medicare may defer enrollment in both Medicare A&B without penalty until they retire and thus they would be eligible to make or receive tax advantaged HSA contributions.
 - Note: Medicare Part A enrollment cannot be deferred if the Medicare eligible participant is receiving Social Security.
 - Example 1: an employee who is receiving Social Security prior to turning age 65 will automatically be enrolled in Part A upon turning 65.
 - Example 2: an employee who is 65 or older defers Social Security, when that employee elects to receive Social Security they will be enrolled in Medicare Part A.
 - We understand that Medicare will allow employees to dis-enroll from Medicare.
 - Unfortunately Newtown is unable to assist employees in either deferring or dis-enrolling from Medicare. Members should contact Medicare directly.
- The preclusion pertains to the HSA bank account only, employees enrolled in Medicare are permitted to enroll in the High Deductible Health Plan (HDHP). They just cannot make or receive contributions to the HSA bank account.

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For impacted **active** employees who choose to enroll in the High Deductible Health Plan, Newtown will make its agreed upon deductible funding to an HRA instead of the HSA.

HRA Highlights:

- The coverage offered under the Anthem \$2,000/\$4,000 High Deductible Health Plan will be identical for HRA members as it is for HSA members (in fact Anthem will not even know whether employees have an HRA or an HSA).
- Newtown will make the same contribution to the HRA accounts as they otherwise would have to the employees' HSA account:
 - That is 50% of the applicable deductible or \$1,000 Single and \$2,000 Family.
- Contributions to the HRA are **not** taxable to the employee.
- Employees may use HRA funds tax free to pay for Anthem **covered** Medical and Prescription deductible expenses.
- Payment/Reimbursement
 - Note:** As discussed in the education sessions, non-pharmacy providers typically will not ask for payment upfront and instead will bill Anthem first. Like the HSA, Anthem will then issue an Explanation of Benefits (EOB) identifying what is actually owed by the member which would then be followed by a bill/invoice from the provider.
 - Debit Card
 - Employees will be issued a debit card. The debit card will be limited to work only at pharmacies for covered prescription deductible expenses.
 - To avoid potential overcharges (above the Anthem negotiated price) debit cards **will not** work at non-pharmacy locations such as; doctor offices, physical therapy office, lab facilities, etc...
 - Check Reimbursement
 - For non-pharmacy claims members will submit a simplified claim form to Stirling Benefits along with the Explanation of Benefits (EOB) from Anthem.
 - Stirling will then issue a check out of the HRA to reimburse the member.
 - Note:** As discussed in the education sessions, Anthem will likely distribute EOBs to members well before a member receives a bill from a provider. Members who submit their claim form and EOB upon receipt from Anthem will likely receive reimbursement from their HRA prior to receiving the bill/invoice from the provider.
- HRAs are **employer** owned accounts (unlike HSA accounts which are **employee** owned).
- Newtown will credit any unused HRA funds from a given plan year to subsequent plan years however:
 - The unused funds remain the property of Newtown.
 - Total balance in any employee's HRA account will never be greater than the applicable deductible of \$2,000 or \$4,000.
 - Upon separation from employment any remaining balance in an employee's HRA account remains the property of Newtown.
- HRA funds can be used for deductible expenses related to Anthem covered Medical and Prescription services only.
- HRA funds **cannot** be used to pay for over-the-counter medications or other non-Anthem covered services (i.e. dental expenses, eye glasses, bandages etc...)