



What is an HRA or FSA?

Health Reimbursement Arrangements - Introduction

Health Reimbursement Arrangements (HRAs) are a popular method to help employers control the cost of health insurance while providing choice to employees. Typically, an HRA is used in conjunction with a less expensive higher deductible or co-pay health plan. Under an HRA, employers can set aside money for each employee to use to pay for health care expenses. The higher deductible health care plan provides coverage in the event of a major illness or condition, while the HRA provides employees some of the funds necessary to cover routine out-of-pocket expenses.

Features of an HRA

- HRA funds used by employees are tax deductible to the employer
- HRA funds are tax free to the employee
- Employer can determine fund availability for specific benefits: medical, Rx, dental, vision, etc.
- Unused funds can roll-over at the employer's discretion
- There is no pre-funding requirement – an HRA is a pay as you go plan

The Advantages of an HRA

- Implementation of an HRA with a higher deductible health plan will help reduce costs
- Employee choices
- Creates awareness of the cost of health care
- Helps to control utilization
- Provides the employer with a long term health care plan strategy

Flexible Spending Accounts - Introduction

Flexible Spending Accounts (FSA) allow employees to set aside money on a pre tax basis to pay for out-of-pocket health care expenses. These expenses may include items subject to the deductible, co-pay or coinsurance of the health care plan, dental, vision, orthodontia, certain alternative treatments and OTC medications. Employees who elect to participate in an FSA plan save money by paying for these goods and services with pre-tax dollars.

Money for eligible Dependent Care expenses can also be set aside on a pre-tax basis. By doing so, employees significantly reduce their tax liability, thereby saving money.

Consider an employee who elects \$1000 into a medical FSA and \$5000 into a Dependent Care Account. The employee's gross salary is reduced by \$6000. If the total tax rate for this employee is 40% then the employee saves \$2400.





The Choice Care Card – A debit card with no equal

The Choice Care Card™ is a health care debit card that can be used for both HRA and FSA administration. The Choice Care Card™ is recognized as both a pioneer and leader in debit card administration. We have been implementing and managing HRAs and FSAs in this unique program since 2001. Choice Care's debit card and administration service will include:

- The Choice Care Card™ MasterCard for the payment of providers and other vendors
- Substantiation of card transactions
- Direct deposit/checks for manually submitted claims at no extra cost
- Online reporting
- Enrollment materials
- Electronic account access for employees and employers
- Plan documents
- Discrimination testing

