FREQUENTLY ASKED QUESTIONS:

GROUP HRA PLANS

DICKERSON
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AN **ALERA GROUP** COMPANY

WHAT IS A GROUP HRA PLAN?

A **Group HRA** is a combination of two plans that work together to replace a traditional fully insured plan: A "**High Deductible Health Plan**" (**HDHP**) and a "**Health Reimbursement Arrangement**" (**HRA**). Prior to the passage of the Affordable Care Act (ACA), Group HRA plans were referred to as "**Partial Self-Funded Plans**", "**Wrap Plans**" or "**Medical Expense Reimbursement Plans**".

The **HRA portion** of the Group HRA plan is regulated under Federal Law (ERISA) however, if the **HDHP portion** of the plan is provided by an insurer or health plan, it is regulated under State insurance law. Group HRAs are available to both small and large employer groups however the 'sweet spot' for Group HRA plans has been for employers with 20 to 100 employees. ***It should be noted that there has been an increase among smaller employers to adopt these arrangements due to increased premium rates for traditional fully insured coverage over the past decade.***

WHAT ARE THE BENEFITS OF A GROUP HRA PLAN?

First – the reduction of fixed premium costs when purchasing an HDHP. Employers offering a fully insured plan with Platinum or Gold benefits will see savings ranging from 25% to 40%. This is referred to as the "gross savings".

Second – the ability to customize the HRA benefit so that employees receive a benefit value greater than or equal to what they had through a traditional, fully insured plan.

Third – improved cash flow when funding their HRA. Most HRA plans are funded on a "**pay as you go**" basis rather than pay a fixed monthly amount. This frees up cash to be used in other areas of the organization.

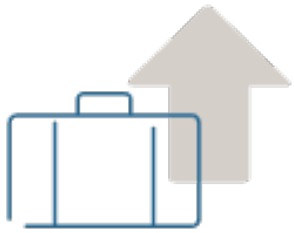
Fourth – access to claims data. Most traditional health insurance carriers do not provide claims data – 'loss runs' – to small and mid-sized employers. In a Group HRA, the employer is the legal plan sponsor and is entitled to claims data for the group. Having this data puts the employer in a better position to negotiate rate changes or funding alternatives in the future.

ARE GROUP HRAS REQUIRED TO BE TIED TO AN HDHP?

Yes, one of the changes brought about by the ACA is that **a Group HRA must be tied to an HDHP that provides "minimum value" under the Federal law.** The HDHP coverage can be fully insured, or it can be self-funded. The HDHP provides each member with protection for large/catastrophic claims and features a maximum out-of-pocket limit that meets the federal benefit standard of the law. Thus, Group HRA plans meet the requirements of the ACA in terms of minimum value and essential benefits.

WHO ADMINISTERS A GROUP HRA?

The administration of a Group HRA plan can be handled two ways. Some employers handle HRA administration through **an in-house/internal process** while others will contract with a licensed/bonded **Third Party Administrator (TPA)**. In either case, administrative responsibilities include claim payments, plan enrollment and eligibility maintenance, provider relations, periodic financial and claim reports, initial and annual filings with carriers and government agencies and the Plan Documents required under ERISA. ***Recently, new services have been made available to employers who internally administer their Group HRA to provide similar services to that of TPAs.***

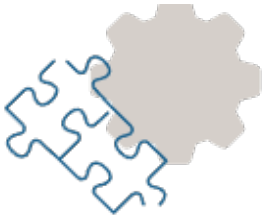


WHAT IS A KEY ISSUE TO CONSIDER IN A GROUP HRA?

Is there sufficient "net savings" in the program to justify making the change? For this reason, a risk analysis should be conducted prior to making such a decision and that analysis should show both the "**gross savings**" and expected "**net savings**" under different claim utilization scenarios (maximum, projected, minimum). **The services of an experienced employee benefit consultant or actuary should be retained to conduct the risk analysis.**

WHAT ARE THE OBSTACLES TO SETTING UP A GROUP HRA?

There are some key questions that need to be addressed, such as: Does the employer have **an appetite for risk**? Are they prepared to **pay claims when they come due**? Are they willing to pay more attention to **risk management** issues or just let the insurance carrier deal with it? Will the finance department view this as an improvement in cash flow and net cost? Is **Human Resources** willing to spend the time and effort to educate employees on the benefits and reasons for offering a Group HRA? **Will the needs of employees be met through this program?**



WHAT IS THE ADVISOR'S ROLE IN A GROUP HRA?

An advisor should provide an **analysis and recommendations** pertaining to the **risk assumption**, **administrative duties** and **plan documents** related to an HRA and the HDHP policy issued by the carrier(s). The advisor should partner with legal, compliance and actuarial service providers. And the advisor should make sure that their **professional liability insurance** policy includes coverage for the sale and service of self-funded plans and stop loss insurance.

Consideration:	TRADITIONAL FULLY INSURED	HDHP (High Deductible Health Plan)	HRA (Health Reimbursement Arrangement)
Availability	All ACA Carriers	All ACA Carriers	Third Party Administrator
Administrative Services	N/A	N/A	Internal or TPA
Plan Design Flexibility	ACA Approved	ACA Approved	Customized
Claims Funding	Not Applicable	Not Applicable	Pay-As-You-Go
Guaranteed Cost	Yes	Yes	No
Use of Provider Networks	Yes	Yes	Yes
Claims Experience	No	No	Yes
Advisor Compensation	Commission, PEPM	Commission, PEPM	PEPM

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ALTERNATIVE FUNDING
AN **ALERA GROUP** COMPANY
www.dickerson-group.com

1-877-361-7342
Fax: 1-888-360-7342
AlternativeFunding@dickerson-group.com

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