

EMPLOYEE HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

You may be eligible for a Health Reimbursement Account (HRA) if you are enrolled in a county sponsored medical plan and are a full or part-time employee in one of the eligible bargaining units. A listing of eligible bargaining units and HRA contribution amounts are outlined in the appendix of this document.



What an HRA Can Do For Employees

- Reimburse qualified medical expenses (pursuant to IRC Section 213(d)) and health insurance premiums paid with after tax dollars¹.
- Accumulate money to pay for both current and future health care expenses, COBRA and/or future retiree health care premiums and costs.

Expenses That Can Be Reimbursed From an HRA

- Out-of-pocket medical, dental, and vision care expenses including insurance co-pays, deductibles and other expenses not usually covered by the a County-sponsored health plan such as: acupuncture, chiropractic, laser eye surgery, etc.
 - See IRC Section 213(d) or current [IRS publication 502](#), or <http://www.padmin.com/> for list of eligible expenses.
- Health insurance premiums paid with after tax dollars¹ and eligible medical, dental, and vision expenses for the participating employee and their IRS eligible dependents (including spouses, children & step-children up to age 26, etc., but generally not domestic partners). May also be used to pay premiums for long-term care insurance, and COBRA continuation of coverage for participating employee and IRS eligible dependents.
- Your final medical expenses (up to one year after death).

HRA Funding and Contribution Levels

- HRA accounts are funded with employer contributions at rates set by the Memorandum of Understanding (collective bargaining agreement) or by the Salary Resolution. See the appendix at the end of this document for a summary.
- There is no maximum limit on contributions under HRA rules.
- HRA can only be funded by employer money and cease when employment ceases

Tax Treatment of HRA

- Contributions to HRAs are not subject to income or payroll taxes at the Federal or California State level (individual state laws may vary).
- HRA reimbursements for IRS eligible medical and dental care expenses are not subject to income or payroll tax.

¹ Complete an election change form within 31 days of HRA eligibility or during annual enrollment to elect a portion of your medical plan premiums to be reimbursed from your HRA. See *Premiums and Post-tax Election* in this document.

HRA Plan Year and Rollover

- Sonoma County’s HRA operates on a calendar year basis, Jan 1-Dec 31.
- Funds not used in a year may be carried over to future years allowing unused amounts to accumulate without a use-it-or-lose-it rule, remaining available even after employment ends so long as funds are available.
- If balance in HRA is low in one year, expenses can be accumulated and reimbursed in the following year when funds are sufficient to cover (if the person was also a participant in the HRA plan the year the expense was incurred).
- Funds can be accumulated to save to help pay a large expense (e.g. LASIK, orthodontia, retiree medical costs, etc.)

HRA Legal Limitations

- HRA funds cannot pay for non-medical benefits or make cash-outs of unused amounts.
- Recent DOL regulation guidance requires HRAs for active employees (Retiree-Only HRAs exempt) to be integrated with an employer-sponsored medical plan that meets the minimum value requirements of the Affordable Care Act. The HRA and the medical plan must be provided by the same employer.

Premiums and Post-tax elections

Most health care premiums paid through payroll deduction by Sonoma County employees are paid on a pre-tax basis through a Premium Conversion plan. This means your gross wages are reduced by the amounts you pay for health insurance premiums before taxes are calculated, thereby reducing your taxable wages and thus lowering the taxes due. Premiums paid with a tax benefit such as this are not eligible for HRA reimbursement. You can, however, make an election to give up the pre-taxability of a portion of your medical plan premiums in order to be reimbursed from your HRA for those amounts.

- An election is required in order for the premiums to be eligible for reimbursement from your HRA account. Please note that your taxable wages will not be reduced by these post-tax medical premium amounts, therefore increasing your tax liability and withholdings.
- Employees choosing to be reimbursed from their HRA for medical premiums can make an annual election designating an amount to pay on a post-tax basis for this purpose. Submit the required form (County of Sonoma annual Health Care Premium Conversion Plan Election) to your payroll clerk or the ACTTC payroll office within 30 days of initial HRA eligibility, a qualifying change of work or family status, or during annual enrollment.
- Changes to this election are subject to the same mid-year enrollment restrictions as apply to the health plans. Refer to the [Change of Status & Allowable Mid-Year Enrollment Changes chart](#) on the Human Resources website.
- Employees who make this election will be automatically reimbursed from their HRA account for the amount elected so long as funds are available in your account.

Biweekly Sample	All Premiums Paid Pre-tax	Election submitted to Pay Some Medical Premiums Post Tax
Gross Earnings	\$2000	\$2000
Medical Premium Deduction Pre-tax	\$513	\$467
Medical Premium Deduction Post-tax	\$0	\$46
Taxable Wages	\$1487	\$1533
Premiums Eligible for HRA Reimbursement	\$0	\$46

Simplified example for illustrative purposes only. Federal and state income taxes as well as Social Security and Medicare taxes are paid on your taxable wages.

HRA Frequently Asked Questions– Employee Plan

Which of my dependents are eligible?

Pursuant to IRS regulations eligible dependents are as follows: your opposite gender spouse, your own child, your stepchild, adopted child, child lawfully placed for adoption, or eligible foster child, regardless of the child's marital or student status or whether or not the child is claimed as a dependent on your taxes (up to age 26).

Are domestic partner's or their children's expenses eligible for reimbursement?

No, unless the domestic partner and/or their child(ren) are also a qualified dependent as defined by IRS Code Section 152. To be an IRS Qualified Dependent a dependent must fall into one of two categories defined by the IRS. They must either be a Qualifying Child, or a Qualifying Relative. There are specific tests that must be met under both categories for them to be considered IRS Qualified Dependents. Refer to the Overview of the Rules for Claiming an Exemption for a Dependent in IRS [Publication 17](#) on the IRS website.

How can I get reimbursed from my HRA for the health insurance premiums deducted from my paycheck?

Only health insurance premiums paid with post-tax dollars can be reimbursed from your HRA. Most employees pay their share of County sponsored insurance premiums pre-tax through the Section 125 Premium Conversion Plan because this option offers you the greatest tax benefits. If you wish to have your premiums reimbursed through the HRA you will need to contact your payroll clerk and request a County of Sonoma annual Health Care Premium Conversion Plan Election form allowing your County sponsored medical insurance premiums to be deducted from your paycheck post-tax. Only premiums paid on a post-tax basis will be eligible for reimbursement. An automated process is set up to automatically reimburse you from your HRA biweekly for the post tax amount you pay. These reimbursements come in a separate check to you from the HRA administrator. Consider setting up direct deposit with them for fastest processing.

What contributions will be made to my HRA if I have declined or waived my county medical benefit?

Unfortunately, due to recent Affordable Care Act regulations, employees not enrolled in their employer's medical plan are not eligible for an HRA.

The Human Resources staff is meeting with affected employee groups to address the issue for any group whose MOU language does not include medical plan enrollment as a requirement for HRA contributions. Together they will work on an alternative to current language. In the mean time, amounts designated per the MOU or Salary Resolution as HRA contributions for those not enrolled in a county medical plan are being held in trust until the bargaining organizations and the County reach agreement on replacement language. No HRA accounts were set up for employees not enrolled in a medical plan. Direct any questions you have about this issue to your union representative or 565-6087.

When am I eligible to access the HRA balance and start receiving reimbursements?

Employees are immediately vested 100% in the employee HRA and can begin using it as soon as there are funds in your account. Only eligible expenses incurred (based on date service was received) on or after 1/1/2013, are eligible for reimbursement. Keep in mind that only premiums paid on a post-tax basis are eligible for reimbursement. These are premiums you pay directly to an insurance company for an individual health plan (not your employer's group plan), or premiums you pay through payroll deduction on a post-tax basis. This begins after you submit your County of Sonoma annual Health Care Premium Conversion Plan Election form requesting this. The option began initially in June 2013.

I'm in a bargaining unit that was eligible for an employee HRA contribution before 6/1/13. What happened to the contributions earned before 6/1/13?

Contributions have made retroactively for all pay periods after 3/19/13, per the SEIU MOU and Salary Resolution.

Is there a "use it or lose it" provision to an HRA if I have funds left over at the end of the year?

No, funds in an HRA automatically roll over into the next calendar year and continue rolling over each year until funds in account are exhausted, even after employment ends.

What happens to the funds in my HRA if I have funds left over and pass away?

Survivor benefits are as specified in the plan document. In general, spouses and eligible dependent children or dependent adults that are disabled may continue to access account balances after the death of the retiree subject to the limitations and maximums as stipulated by law.

Domestic partners are not permitted access to the account balances of the participant at this time by virtue of restrictions in the federal regulations that govern these types of accounts.

What if I also have a Health Flexible Spending Account (FSA)?

The list of health expenses that are eligible for reimbursement from an HRA and Health FSA are almost identical. The only difference is that you can be reimbursed from your HRA for your health plan premium costs paid on an after tax basis. However these expenses are not eligible for reimbursement from your FSA. Since your FSA has a "use it or lose it" provision that does not exist in your HRA, submit your eligible health expenses (excluding premiums) to your FSA first to help ensure you don't have money left in your account and "lose it" at year end. You may only be reimbursed from one account or the other for each expense, not both. However, you can submit qualified expenses for reimbursement from your HRA once your FSA funds have been fully exhausted and for eligible health plan premium expenses.

How does the HRA debit card work?

Once becoming eligible to access your HRA balance P&A will issue you a debit card which will take 7-10 business days to be received, additional debit cards for your spouse and dependents over age 18 can be requested after you receive your card. Watch your home mail box . . . a debit card is on its way to your home address from our HRA administrator, P&A Group. For security reasons, it arrives in a plain white envelope so don't throw it away. Please call P&A customer service at (800)688-2611, if you have not received your debit card within 3 weeks of initial HRA eligibility. Your debit card is automatically activated upon first use. The cards are good for three years from the date of issue. This card is a limited access card. P&A controls where the debit card can be used through Merchant Category Codes (MCCs) and the Inventory Information Approval System (IIAS) so that only eligible expenses can be charged at pre-approved locations such as doctor's offices, hospitals, pharmacies, dentists, opticians and general merchants that sell eligible items. The card will not work if you attempt to purchase an ineligible item or swipe the card for more than the available balance. If your card is lost or stolen please notify P&A so we can deactivate the card and issue you a new one. A PIN can be requested but is not required.

How do I request a manual reimbursement when I can't use my debit card?

To submit a manual claim you have three options:

1. Log on to your P&A account online at www.padmin.com and use "upload a claim" feature. Please note you will need to have electronic copies of your receipts in order to upload a claim
2. Fax a claim form (available at www.padmin.com) and copies of receipts to (877)855-7105
3. Mail a claim form and copies of receipts to: P&A Group, 17 Court St. Suite 500, Buffalo, NY 14202

Please note manual claims take 3-5 business days to process. When submitting a manual claim you have the option of receiving a check or direct deposit. If you prefer direct deposit, visit P&A's website at www.padmin.com and log on to your account to enroll. Or print the direct deposit authorization on the website and submit it with your claim. Enrolling in direct deposit is the fastest way to receive your reimbursement.

How do I get more information on my account?

Account balance information can be found at www.padmin.com, select the "Participant" box and Login to My Benefits. **P&A's toll-free customer service number is (800)688-2611** and customer service representatives are available Monday-Friday 5:30 AM - 5:00 PM Pacific Standard Time. Questions about eligibility can be directed to the Sonoma County Human Resources Benefits office at 707-565-2900.

Forms and Account Access Information can also be found on the following Human Resources website-see HRA's

<http://hr.sonoma-county.org/content.aspx?sid=1024&id=1223>

Appendix

Bargaining Unit	One Time HRA Deposits*	Continuous HRA Deposits		
		County Medical Plan Enrollment with 0 Dependents	County Medical Plan Enrollment with 1 Dependent	County Medical Plan Enrollment with 2+ Dependents
Confidential (51)	4/10/13: \$100 12/3/14: \$100	2.25% of base pay	2.25% of base pay	2.25% of base pay
SCLEA (30,40, 41, 70)	None	None	6/25/13 to 8/14/14 \$0.58/hr \$46.40/biweekly FT ~\$100/month FT 8/15/14 to 5/11/15 \$0.71/hr \$56.80/biweekly FT ~\$124/month FT 5/12/15 to 12/1/15 \$.97/hr \$77.60/biweekly FT ~\$169/month FT	6/25/13 to 8/14/14 \$1.73/hr \$138.40/biweekly FT ~\$300/month FT 8/15/14 to 5/11/15 \$2.30/hr \$184.00/biweekly FT ~\$400/month FT 5/12/15 to 12/1/15 \$2.67/hr \$213.60/biweekly FT ~\$465/month FT
SCLEMA (44)		None	6/11/13 to 8/14/14 \$0.58/hr \$46.40/biweekly FT ~\$100/month FT 8/15/14 to 5/11/15 \$0.71/hr \$56.80/biweekly FT ~\$124/month FT 5/12/15 to 10/31/15 \$.97/hr \$77.60/biweekly FT ~\$169/month FT	6/11/13 to 8/14/14 \$1.73/hr \$138.40/biweekly FT ~\$300/month FT 8/15/14 to 5/11/15 \$2.30/hr \$184.00/biweekly FT ~\$400/month FT 5/12/15 to 10/31/15 \$2.67/hr \$213.60/biweekly FT ~\$465/month FT
SCPDIA (55)	None	None	9/3/13 to 8/14/14 \$0.58/hr \$46.40/biweekly FT ~\$100/month FT 8/15/14 to 5/11/15 \$0.71/hr \$56.80/biweekly FT ~\$124/month FT 5/12/15 to 12/1/15 \$.97/hr \$77.60/biweekly FT ~\$169/month FT	9/3/13 to 8/14/14 \$1.73/hr \$138.40/biweekly FT ~\$300/month FT 8/15/14 to 5/11/15 \$2.30/hr \$184.00/biweekly FT ~\$400/month FT 5/12/15 to 12/1/15 \$2.67/hr \$213.60/biweekly FT ~\$465/month FT
SEIU (01,05,10,25,80,95)	4/10/13: \$100 12/3/14: \$100	None	3/19/13 to 8/14/14 \$0.58/hr \$46.40/biweekly FT ~\$100/month FT	3/19/13 to 8/14/14 \$1.73/hr \$138.40/biweekly FT ~\$300/month FT

			8/15/14 to 5/11/15 \$0.71/hr \$56.80/biweekly FT ~\$124/month FT 5/12/15 to 10/31/15 \$.97/hr \$77.60/biweekly FT ~\$169/month FT	8/15/14 to 5/11/15 \$2.30/hr \$184.00/biweekly FT ~\$400/month FT 5/12/15 to 10/31/15 \$2.67/hr \$213.60/biweekly FT ~\$465/month FT
Unrepresented (00)**	4/10/13: \$100 12/3/14: \$100	2.25% of base pay	2.25% of base pay	2.25% of base pay
WCE (21)	None	None	8/6/13 to 8/18/14 \$0.58/hr \$46.40/biweekly FT ~\$100/month FT 8/19/14 to 5/11/15 \$0.71/hr \$56.80/biweekly FT ~\$124/month FT 5/12/15 to 6/1/16 \$.97/hr \$77.60/biweekly FT ~\$169/month FT	8/6/13 to 8/18/14 \$1.73/hr \$138.40/biweekly FT ~\$300/month FT 8/19/14 to 5/11/15 \$2.30/hr \$184.00/biweekly FT ~\$400/month FT 5/12/15 to 6/1/16 \$2.67/hr \$213.60/biweekly FT ~\$465/month FT

*One time contribution amounts shown are for full-time employees. Part-time employees are eligible for a pro-rated contribution.

**Unrepresented employees in bargaining unit 00 are currently eligible except for employees in the following job classes: 0841, Assistant Executive Officer LAFCO; 2537, Forensic Psychiatrist; 2536, Mental Health Physician; and 2535, Public Health Physician.. Other unrepresented groups such as Administrative Management are not eligible for an HRA at the time of this writing.

Per hour amounts listed in this table are paid per pay status hour up to 80 biweekly. Pay status hours are whenever an employee is at work, absent on a paid holiday, absent on leave with pay, or absent on authorized compensatory time off.

The information in this document provides a summary of your benefits under the County offered Health Reimbursement Arrangement. For more detailed information review the plan document, your Memorandum of Understanding, and/or the Salary Resolution as applicable.

In the case of conflict between the information presented in this summary and the plan document or MOU/Salary Resolution, the plan document and/or MOU/Salary Resolution determines the coverage.

The County makes no representations or warranties in regard to the tax treatment of the HRA, including whether any portion of the HRA is taxable by the Internal Revenue Service or the Franchise Tax Board.