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Health reimbursement arrangements for  
public employees in Washington



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**HRA**  
Health Reimbursement Arrangement

- "Account-based" group health plan
- Funded by employer
- Tax-free money for future medical care costs
- For most state employees called "VEBA"
  - Assets held in a voluntary employees' beneficiary association (VEBA) trust


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**Eligibility**

- Retirement
- Separation from service
  - if 55+ and
    - 15 years of service in Plan 2
    - 10 years of service in Plan 3
- Eligible cash out determined by CBA
  - may be only sick leave or
  - other cash out options



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## Funding Source Sick Leave Cash-Out Upon Retirement/Separation

### Per State Law

- 1 day for every 4 days available  
180 day limit for K-12 employees
- paid at per diem rate as if working full time  
the year of the cash out

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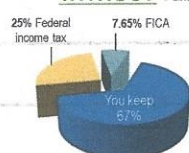
## Key benefits—No taxes

### Sick Leave Balance \$10,000

Cash or Tax-deferred (457, 403(b), 401(k), etc.)

Less FICA (7.65%):	\$ 765
Less income tax at (22%):	\$2,200
=	\$7,035

### WITHOUT VEBA:



### WITH VEBA:

### Sick Leave Balance \$10,000

Less nothing:	\$0.00
=	\$10,000

Tax-free – better  
than tax-deferred.

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## Process

### Unique to each district

- Process for annual vote
- Eligibility to vote



### If majority votes YES:

- all must enroll in a VEBA plan
- failure to enroll results in
  - forfeiture of up to 12 days
  - cash paid as taxable event

### If majority votes NO:

- no one can cash out into VEBA
- cash out funds are paid as taxable wages

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## Process—Enrollment

- Majority votes yes
- You complete paperwork required by the district
- Application may be available online
- Employer submits funds to VEBA
- VEBA sends welcome packet



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## Key benefits—Investment Options

Are you comfortable making your own investment decisions?

NO


Option A: Choose a pre-mix

- Pre-mixed portfolios
- Professionally managed

YES

Option B: Do-it-yourself

- Individual asset classes
- Build your own portfolio




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## Key Benefits

### Eligibility—Beneficiary—Carry Over



**You**

...can use your account anytime after becoming claims eligible

- not working
- working with group coverage

**You**

...can name a beneficiary who can use the funds for medical expenses after you die

order of access

- spouse
- IRS qualified dependents
- non-qualified beneficiary\* (\*may be taxable event)

**Your**

...unused balance carries over

no annual "use-it-or-lose-it"

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### Common Qualified Expenses

**Retiree medical premiums**

- Before and after age 65
- Including Medicare supplements and Medicare Part B and Part D

NOTE: Premiums deducted pre-tax by an employer through a Section 125 cafeteria plan are not eligible for reimbursement.


**Deductibles**

**Copays**

**Prescription drugs**

**Long-term care premiums**

- Tax-qualified; subject to IRS limits



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### VEBA limited

**There are three situations when a VEBA account should be marked as "limited purpose".**

☐ IF 65+ AND still working AND VEBA account \$5000+

☐ VEBA with HSA contributions

☐ Taking a Premium tax credit

Remove "limited purpose" status after you quit working.

**Consequence if designation is not made:**  
**Medicare will pay nothing until VEBA account is depleted.**

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### What is limited HRA coverage?

While HRA coverage is limited, you can still use your HRA to reimburse any of the following

- Medicare premiums
- Orthodontia expenses
- Medicare Supplement premiums
- Long-term care expenses
- Dental premiums and expenses
- Vision premiums and expenses
- Certain other expenses not covered by Medicare

All other medical expenses incurred while HRA coverage is limited cannot be reimbursed.

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### OneBridge VISA Benefits Card

No monthly fee!  
Easy to use. Saves you time.

Pay for medical care items and services directly from HRA.

No more filing claims and waiting to get reimbursed!

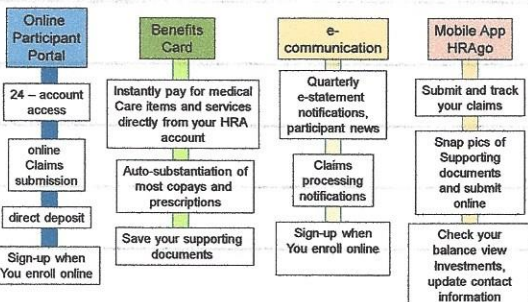
- No monthly fee
- Spend up to 90% of HRA balance every day (a \$3,000 daily limit applies)
- Provider or merchant gets paid when card is swiped
- Plan will notify participant when supporting documentation is needed
- Participants can request separate cards for spouse or dependents (a one-time charge of \$1 per card will apply)

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### e-Services



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### Plan Administrative Fees

\$5000 or less

- \$1.50 per month.
- Fee waived if greater than \$5000.

Less than \$10,000

- 1% to 1.25% (+/-) annualized asset-based fee

Greater than \$10,000

- 0.25% asset-based fee discount on any portion in excess of \$10,000.

Expenses include:

- claims processing,
- customer service
- account administration,
- printing, postage,
- legal,
- consulting,
- local servicing,
- auditing, etc.

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## Summary


Get more information:  
[www.veba.org](http://www.veba.org)  
 Or  
 1-888-828-4953

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Use the VEBA Plan to help cover your out-of-pocket medical care costs

- You pay no tax on contributions, earnings, or reimbursements (claims)
- You choose your investment options
- You can use your account anytime (after becoming claims eligible)
- Your spouse and qualified dependents are covered
- Your unused account balance carries over


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## Questions?

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