

## 1. What is an HRA?

A health reimbursement arrangement (HRA) is an account-based health plan that reimburses eligible out-of-pocket health care costs and insurance premiums incurred by you, your spouse, and qualified dependents.

- You pay no tax on contributions, earnings, or withdrawals (claims)
- You can use your account anytime after it is opened
- Your unused account balance carries over from year to year
- You can invest your account among the available investment funds, including any one of four pre-mixed portfolios

## 2. What is a VEBA?

A voluntary employees' beneficiary association (VEBA) is a type of tax-exempt trust instrument through which employee benefits (e.g. HRAs) are provided. VEBAs are authorized by Internal Revenue Code section 501(c)(9).

## 3. Why are HRAs sometimes called VEBAs?

Many governmental employers in Washington are familiar with the term "VEBA" and understand it to mean a benefit plan that reimburses health care expenses and premiums. These plans are technically HRAs as defined by the IRS, but have been commonly referred to as "VEBA" plans for more than two decades.

## 4. What is the difference between an HRA and FSA?

An HRA and FSA differ in the following ways:

1. An FSA can be funded by the employee or the employer, while an HRA is funded by the employer only
2. Both an FSA and HRA can reimburse the employee, their spouse, and dependents for qualified healthcare expenses, but an HRA can also reimburse qualified medical,

dental, and vision premiums, including qualified long term care insurance policies and Medicare Part B and Part D

3. An FSA provides reimbursement of qualified expenses up to the deferral amount for a given year, while an HRA can reimburse up to the account balance
4. Funds in an FSA do not carry over from year-to-year (i.e. use-it-or-lose-it), while funds in an HRA carry forward for use in subsequent years

## 5. How do I get money into my HRA VEBA account?

HRA VEBA enables the county to make tax-free contributions on your behalf using funds that would otherwise be paid to you as taxable wages.

Following are the available HRA VEBA funding sources for your employee group's consideration:

1. Your 35% **sick leave cash out** at retirement
2. **Vacation cash out** at retirement (50% to HRA VEBA; 50% paid as regular taxable wages)
3. **\$50 per month** mandatory employee contribution (union employees only; accessible during and after employment)

## 6. What does "tax-free" really mean?

Your account is exempt from all taxes. All contributions, earnings, and withdrawals are 100% tax-free. You could save up to \$300 or more in taxes for every \$1,000 contributed to the HRA VEBA plan (tax savings are approximate).

## 7. Am I required to participate?

Yes. IRS rules do not permit individual choice; all employee group members defined as eligible must participate. In other words, if your employee group decides (votes) to adopt any one or more of the available funding sources, the decision is binding on all members of that group.

**Call 206-684-1556 for alternate formats.**

**8. When and how will my employee group be voting?**

Many represented employees will vote on the issue in accordance with the instruction provided by their labor organization. Voting instructions for non-represented employees will be disseminated this spring via email communications.

**9. When can I attend an educational workshop?**

A series of educational workshops has been scheduled for employees represented by labor organizations. Non-represented employees are also encouraged to attend these workshops. Employee attendance at the workshops is to be administered in accordance with the procedures set forth in HR Bulletin "Employee Attendance at County-Sponsored Events" (August 20, 2007). To find a workshop time and location near you please visit the King County VEBA website at: <http://www.kingcounty.gov/employees/benefits/Retirement/VEBA.aspx>

**10. How many other governmental employers participate in the HRA VEBA?**

As of December 2008, there were over 270 governmental employers in Washington, Oregon, and Idaho participating in the HRA VEBA plan, including the City of Seattle. A complete listing is available online at [www.hraveba.org](http://www.hraveba.org).

**11. How do I withdraw money from my HRA VEBA account?**

For qualified medical expenses, simply submit a completed and signed claim form, along with proper verification, to the third-party administrator. If you have ongoing monthly insurance premiums (e.g. retiree medical plan), you can arrange to receive automatic reimbursements by submitting a systematic payment form. Sign up for direct deposit; it is faster and more secure.

**12. What types of healthcare expenses and insurance premiums are eligible (qualified) for reimbursement?**

Common qualified expenses include co-pays, coinsurance, deductibles, prescriptions, etc. Qualified insurance premiums include medical, dental, vision, tax-qualified long-term care (subject to IRS limits), Medicare Part B, Medicare Part D, and Medicare supplement plans. A more detailed list can be found online at [www.hraveba.org](http://www.hraveba.org). Qualified expenses and premiums are defined in section 213(d) of the Internal Revenue Code and described in IRS Publication 502.

You may submit claims for qualified out-of-pocket medical, dental or vision expenses incurred by yourself, your spouse and/or your qualified dependents. You may file claims for any amount. Benefits will be paid until your account is depleted. If your spouse or dependents are covered under different medical plans, their insurance premiums may also be reimbursed out of this account.

**13. Can the cost of retiree medical plans be paid from my HRA VEBA account?**

Yes. Premiums for medical plan coverage as described above are eligible for reimbursement, particularly during retirement.

**14. Is there a time limit on spending funds in my HRA VEBA account?**

There is no time limit. Unused account balances carry over from year to year.

**15. Will I receive a statement of my account?**

Yes. You will receive semiannual participant activity statements in January and July detailing all activity in your account. You may also sign up to receive e-statements and access your account online.

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