

ELECTRICAL WORKERS LOCAL #86

An Introduction to HRA Plans



PERSONAL ACCOUNT PLANS



What are they?

TYPES OF PERSONAL ACCOUNT PLANS

- ▶ **Flexible Spending Accounts (FSAs)**
- ▶ **Medical Spending Accounts (MSAs)**
- ▶ **Health Savings Accounts (HSAs)**
- ▶ **Health Reimbursement Accounts (HRAs)**

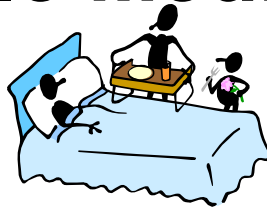
WHY CHANGE THE PLAN?



- ▶ **To accommodate today's diverse family Units**
- ▶ **More flexibility and Individual Control for participants**
- ▶ **Better control of “class two” benefits by the by the Plan**
- ▶ **Provides a way for members to save for medical expenses after retirement**

WHAT BENEFITS MAY BE PAID FROM AN HRA?

- ▶ **Tax Deductible Medical Insurance Premiums**



- ▶ **Other Tax Deductible Medical Expenses**



- ▶ **Long Term Care Insurance Premiums**

HOW IS ELIGIBILITY TO PARTICIPATE IN THE PROGRAM DETERMINED?

- ▶ **Initial eligibility is achieved by having a minimum amount allocated to an account over a maximum timeframe, and availability for covered employment**
- ▶ **Continuing eligibility is determined by account size, and availability for covered employment**

WHAT ARE THE MECHANICS OF A PERSONAL ACCOUNT PLAN?

- ▶ **A percentage of the contributions received goes into a participant's account for each hour worked, and the remainder goes into the general assets to fund other benefits like loss-of-time and retiree subsidies**
- ▶ **Once eligible, a premium is subtracted each month to cover medical and hospital expenses included in the "insurance plan" and administrative expenses**
- ▶ **Other tax-deductible medical expenses may be reimbursed from an account provided a minimum balance is maintained**
- ▶ **Account balances are carried forward as long as eligibility is maintained**

HOW ARE THE PREMIUMS FOR THE INSURANCE PLAN DETERMINED?



- ▶ **Rates will be actuarially determined based on past claims experience and projected claims**
- ▶ **Generally a three-tier premium structure is used based on family coverage, single coverage or no coverage**
- ▶ **The default coverage is family coverage, however, members may choose the single or no coverage option provided their entire family is covered by some other employer sponsored group health plan**

WHAT IS THE DOWNSIDE OF A PERSONAL ACCOUNT PROGRAM?

If contribution rates and premium rates are not adjusted the plan will result in haves and have-nots

▶ **HAVES** – Members who build up large accounts that they often perceive will never 😏 used

▶ **HAVE-NOTS** – Members who cannot work enough hours to maintain family coverage 😞

WHAT CAN BE DONE TO LESSEN THE IMPACT ON MEMBERS WITH FAMILY COVERAGE?



- ▶ **Subsidize the premiums of members with family coverage by the premiums charged to members who have chosen either the single or no coverage options**
- ▶ **This type of premium adjustment will result in less of a family subsidization than under the more traditional “pooled approach”**
- ▶ **Through collective bargaining, have a higher contribution rate for members with accounts below a minimum amount**

***WHAT CAN BE DONE TO CONTROL
THE ACCOUNT BUILDUP OF
MEMBERS WHO HAVE CHOSEN THE
NO COVERAGE OPTION?***



- ▶ **Through collective bargaining, have a smaller contribution rate for members with accounts above a maximum amount**
- ▶ **The difference in the welfare plan contribution rates will be offset by adjusting the annuity plan contribution rates, so the sum of the two rates remains the same under all scenarios**

GETTING STARTED



- ▶ **Modify the current plan of benefits to allow for more use of personal accounts by raising deductibles and copays and limiting “class two” benefits**
- ▶ **Draft a new SPD to describe the new personal account plan**
- ▶ **Determine family, single and no-coverage premium rates based on the modified plan**
- ▶ **Recommend combination welfare/annuity contribution rates to the bargaining parties**
- ▶ **Allocate a portion of the general assets to accounts of participants with accumulated eligibility**
- ▶ **Educate the members and their families (a special meeting usually works best)**