



Health Reimbursement Arrangements (HRAs)

Section 105 Plan Administration

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Stirling Benefits Mission

The mission of Stirling Benefits is to provide prompt, accurate, courteous and cost effective group administration services delivered by a highly skilled workforce and leading edge technology.

Our Objective

Provide our clients with solutions to meet the needs of their employees and reduce the cost of their benefit program.

Who We Are

Stirling Benefits is a Third Party Administrator (TPA) that has served group plans since 1971. We offer a comprehensive array of services including debit card and paper administration of plans under a fully insured high deductible or high co-payment plan. Unlike some of our competitors, all our staff are fully trained in HIPAA privacy, security, and we undergo an annual outside audit of our procedures and controls. Our SAS 70 Audit is similar to the ISO 9000 process found in manufacturing firms.

We have three business units:

- Consumer directed Flex plan and Health Reimbursement Arrangements (HRAs)
- Full service self-funded group plan administration, including Medical, Dental, COBRA, HIPAA, Wellness and Disease Management programs
- Retiree Supplemental Medical Plan administration

We cover over 200 groups and 20,000 members. As a full service firm, we are able to bring a range of expertise to your group plan – and help you avoid costly regulatory mistakes.

We invite you to visit our office, meet our staff and help us to create a program that fits your needs.

Health Reimbursement Arrangements

We offer HRAs with either paper adjudication only, or debit card and paper services.

HRAs are designed and funded with employer dollars. The employer specifies what is covered, what percentage of covered expenses will be reimbursed, and if unused funds will roll over into the next year. HRAs give the employer choice and flexibility through the purchase of a higher deductible or higher co-payment health insurance policy, and having a portion of the higher employee payments paid through the HRA.

The HRA itself does not need to be pre-funded. The Employer sets up a checking account against which the payments are made. Employers only fund their plans as claims are made.

HRAs may be used as an alternative to dental or vision insurance or other types of health care plans.

HRA Advantages

- HRAs must be funded solely by employer dollars, not by employee dollars through salary reduction
- HRAs may not be included in cafeteria plans
- In general, all employees who enroll in the base plan will be eligible for the HRA
- HRA benefits are also available to former employees/dependents on COBRA
- HRAs enable the employer to use tax-deductible dollars to reimburse employees for qualified medical expenses
- HRA funding can come from the premium savings realized by changing from an expensive, benefit-rich, low deductible health insurance plan to a lower-cost high deductible plan
- Employer HRA contributions create a more attractive benefit package for employees who may object to a high deductible plan
- The account does not need to be pre-funded by the employer
- HRAs are available to any size group
- Employer determines:
 - The amount to contribute to the HRA
 - The benefits and reimbursement levels covered by the HRA plan
- Employees can be reimbursed for a wide range of medical expenses - including dental, and vision, if the employer chooses

Plan Design and Operation

HRA can be administered using a debit card or through filing paper claims and works with any fully insured carrier plan. Each type of administration has advantages.

Debit Card

A debit card may be issued to each plan member. Card transactions are limited to doctors' offices and at pharmacies for IRS deductible medical expenses. The card does not work at other retail vendors.

This is the most convenient approach for the members to pay their medical expenses since the employer covers the funds. However, if the member presents the card at point of service the doctor's office may inadvertently charge their full-fee rather than the contracted network fee associated with the health plan. This will cause claim costs to be higher with a debit card than with the paper HRA program.

Claims costs with the debit card run about 43% of the total liability.

Paper Claim Approach

With the paper claim approach, we find claim costs are lower. Members simply mail the Explanation of Benefits they receive from the insurance company to Stirling Benefits. We

adjudicate claims daily and mail checks twice weekly to the member who can finalize their responsibility with the provider.

The medical provider can be paid directly, but only when we have an invoice/bill with the provider tax identification number and specific mailing address to ensure proper payment.

This approach has the advantage of helping the member understand the true costs of health care. One popular plan design is when the employer agrees to reimburse the employee a certain percentage (75%) of the amounts applied to the deductible in the insured plan. The member will learn about medical care costs since they will pay the percentage balance (25%) of the service, and have an incentive to be a wise consumer as they need additional services.

Overall, we find claims under this approach will run approximately 30% of the total liability.

Important Advantages of Stirling Benefits Health Reimbursement Arrangements

Where's the money?

Unlike some administrators that require the use of your money, the Stirling Advantage plan allows you to keep your funds. There is no need to pre-fund the plan or transfer funds to Stirling after each check run.

For the debit card program, employers will receive a daily e-mail letting them know how much will be debited from their account the next business day.

For the paper process, Stirling will produce laser printed checks drawn on the employer's bank account twice a week. The employer can view the plan's check registers and EOBs 24/7 on our secure server. Funds do not need to be available until a claim transaction is actually transferred by the employer's bank.

Keeping the Dividends

Unlike some HRA administrators who keep the difference in your claim exposure, Stirling Benefits does not keep a share of your good claims experience.

For this reason, employers who place their self-funded HRA business with Stirling have a greater incentive to invest in a program that will produce a long-term return on their investment. Self-funded employers have increased flexibility in designing a plan that meets the needs of their business.

Technology

- On-line, real time adjudication
- On-line, secure access to claims payments, enrollments and member EOBs
- E-mail notification to Stirling for enrollment additions/terms/changes

Claim Adjudication

- Works in conjunction with any fully insured or self-funded plan

- For paper processing
 - Employer plan parameters are loaded into our claim system
 - When we receive an Explanation of Benefits (EOB) from the insurance company showing eligible charges under the HRA, we process a check, or direct deposit to your employee. Payment to provider if required documentation is received
 - Checks are processed and released twice weekly
 - The Plan's claim liability is posted to a secure portion of our website for access by authorized individuals
 - Released checks will clear against the employer account when deposited by plan participants or providers

- For Debit Card processing
 - Only medical providers are "activated" for card transactions
 - Debits processed daily
 - Employer is notified each day of incurred claim liability
 - Employees can track their charges and account balances online
 - Employer can access full reports through a secure website

Plan Designs

- Employer establishes:
 - The benefits paid by the plan
 - The maximum amount of annual payout
 - The plan eligibility (usually coincides with eligibility for the medical plan)
 - The order of benefit payment. (Primary-Secondary-HRA 105 Plan) (Flex plan or HRA pays first)

Installation

We will:

- Prepare agreements, Plan Document, and Summary Plan Description
- Provide an employee plan design summary memo
- Prepare all necessary forms and authorizations
- Meet with employees (cases over 25 employees) to explain the plan. Includes 2 hours onsite meetings. Additional meetings available at \$120/half day, plus travel (accommodations if necessary) if outside Connecticut
- Provide customer service representatives to assist members with questions
- Enroll all members from an employer provided excel spreadsheet that specifies required data (name, address, DOB, SSN, effective date) or HRA enrollment form
- Confirm employee list at startup
- Provide accounting of employer expenditures

The Employer (or agent) is responsible for:

- Setting up a checking account to fund claims and fees
- Completing all plan set up forms
- Signing the administrative agreement
- Providing the excel spreadsheet or enrollment forms for enrollment
- Notifying us of additions and terminations to the employee list.
- Funding claims and fees when cleared by the employer's bank

Health Reimbursement Arrangement Administrative Charges

Stirling Benefits can administer a range of plan designs based on the employers' objectives. Our administrative charges are commensurate with the plan claim utilization, corresponding services, and are set on a case-by-case basis.

Plan Installation:

Enroll participants using client spreadsheet or enrollment form, conduct client administration training via conference call, assist with banking setup for designated account, create employee memo describing plan, setup web access and prepare necessary forms. The fee for installation services is due at plan inception.

Participant Plan Document and Summary Plan Description:

Our document specialist will prepare an ERISA document specific to the plan design offered by the employer/plan sponsor. This fee is due at plan inception.

Administration Fees: *Varies by plan design & services*

Includes adjudication of claims, customer services via toll free number, paper submission of EOBs/claims and/or debit card administration. Also includes employer 24/7 online account access, employee access for debit card plans, printing and mailing checks to employee home addresses. The administration fee is billed monthly through the plan account.

Renewal Plan Years:

Reenrollment of existing and new members, amendments to plan document and SPD to accommodate plan design changes, resetting plan parameters and system maintenance. This fee is billed at the beginning of the renewal year.

Health Reimbursement Arrangement Sample Plan Designs and Fees

Stirling Benefits now administers over 100 different HRA plans. Our experience has taught us what works well and what is difficult for employees to understand.

For most employers the main objective in adopting a high-deductible health plan is to reduce benefit premium costs. Further, self-funding the HRA benefit is financially attractive due to the limited exposure of the plan deductible.

Stirling Benefits will work closely with all parties to ensure the best plan is selected to meet the benefit and financial goals of the employer.

HRA with Debit card

Employer specifies the annual amount that will be available to the employee. The total can be available to pay all medical providers or can be split among various types of providers.

For example, the debit card may be combined with an insured plan that has an upfront deductible. Deductible amounts may vary, but for this example are \$2,000/4,000. The plan may be HSA qualified or have a separate pharmacy co-pay plan.

The employer issues an HRA debit card loaded with a fixed amount that the employee may use to pay for medical related expenses. The employee is responsible for any amounts due to the provider in excess of the amounts provided on the debit card.

This program is simple for the employee to use. The employee is responsible for paying the provider, using the card at the point of care, or waiting until the insured plan has made a payment or determined how much the patient owes.

This plan design could also permit the employer to designate a specific dollar amount for different types of services using the debit card. For instance, instead of a single sum for all providers, the card may be loaded with \$500 for facilities, \$400 for pharmacy claims, and \$300 for physicians. Many combinations are available.

Each employer decides the amount of HRA reimbursement. We recommend an amount that is between 50% and 80% of the deductible. This provides the member with help toward their deductible, but keeps them engaged in spending the HRA funds wisely. By sharing in the cost of their care, they will become more informed consumers and likely reduce their future health care spending.

HRA for Facility claims only

The employer elects a high dollar facility co-pay plan and the HRA is used to reduce the employees' share of the co-payment. For example, the HRA reimburses 80% of the facility co-payment, leaving the employee with 20% of the co-payment. This design is only handled through paper claims. The members submit their explanation of benefits (EOB) to obtain plan payment.

HRA for High Deductible plans -- % Pay option

The employer creates an HRA that reimburses a percentage of the deductible. Employees submit their EOB's that document the amount the employee owes after the discount is applied. Checks are mailed twice weekly to the employee, who then pays the medical provider. This approach results in the lowest claim cost to the employer. Lower claim costs result from 1) improved consumerism on the part of the member, 2) reimbursement of only deductible eligible expenses and, 3) non-submission of eligible claims to the HRA by the employee.

HRA for High Deductible plans -- Provider Pay option

Same design as the \$7.50 plan above, but with the option of sending payment to the provider directly. The provider will receive the payment from the plan only if the employee submits either a provider invoice or original bill for services along with their EOB. The provider invoice or bill must also include provider billing address, account number and patient name to ensure appropriate payment is made.

HRA for Co- Payment plans --

We can match up to three co-payments (PCP/Specialist, Hospital/Facility, and Pharmacy) under a paper reimbursement or debit card approach. For example, a plan may change from a \$15 Office Visit co-payment to a \$40 OV co-payment. Stirling Benefits can offer a debit card or paper submission HRA plan that covers the \$25 co pay increase so the member continues to pay \$15. The debit card can be programmed to only pay \$15 at the doctor's office, or members can submit a receipt and the HRA plan will reimburse them.

The administrative fee varies based on the complexity of the services requested. ***Please consult with a Stirling Benefits sales support associate prior to client presentation on this option.***

This type of plan is useful to match negotiated benefits under Union contracts.

For over thirty-five years Stirling Benefits has offered custom health plans to employers. We listen, and tailor benefit designs to meet the financial goals and objectives of our clients. We look forward to working with you.