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An Independent Health company

REIMBURSEMENT OPTIONS

BENEFIT TOOLS TO HELP EMPLOYERS MAKE STRATEGIC DECISIONS

DECISIONS, DECISIONS

Reimbursement accounts can be a key component in a well-rounded benefit plan to attract and retain employees. But with so many options, it's vital to understand how they work. Nova is here to help you navigate reimbursement benefits like a pro!

How do you know which reimbursement account is right for you? Should you choose a High Deductible Health Plan (HDHP) with a reimbursement account? A Health Reimbursement Arrangement? Or a Medical Flexible Spending Account? Read on for some important considerations.

"I want to offer HDHPs to lower the cost of providing coverage. How do I build a plan that doesn't frighten my employees but also helps manage cost?"

Sound familiar? Here's the thing: it takes both member tools/support and employer education. HSAs, HRAs, and FSAs are accounts used to save on taxes and pay for qualified medical, prescription, dental, and vision expenses.

WE UNDERSTAND WHAT YOUR EMPLOYEES DON'T. LET US HELP CLARIFY:

- **Health Savings Account (HSA) –** Employees can set aside money for both planned and unexpected medical expenses through an HSA. All contributions are tax-free, unused funds roll over to the next year and an HSA stays with an employee if they leave. An HSA also doubles as a retirement aid, allowing employees to use unspent funds tax-free on medical expenses and make penalty-free withdrawals after age 65.
- **Health Reimbursement Arrangement (HRA) –** Owned and funded by the employer, HRA contributions are unlimited and can be coupled with an FSA. All funds used for eligible expenses are tax deductible for the employer.
- **Flexible Spending Account (FSA) –** Employees can set aside pre-tax funds for a variety of expenses, such as parking, prescription eyewear, braces, and daycare through an FSA.

WHAT MAKES THE MOST SENSE?

Employers can offer any of these accounts, and sometimes more than one at the same time. You may be wondering why you'd choose one over the other. We'll show you how they compare.

Health Spending Account Comparison	HSA	HRA	FSA
Member owns the account	Y	N	N
Employer owns the account	N	Y	Y
Member must be enrolled in an HDHP	Y	N	N
Employer-only funded account	N	Y	N
Member and employer may fund the account	Y	N	Y
Member can invest the money in the account	Y	N	N
Member must report account when filing income taxes	Y	N	Y

CONS

- Employees may be overwhelmed by a high deductible.
- Employees perceive the plan as not being valuable.
- Some employees worry about funding healthcare and pharmacy costs to cover the gap between any portion of an employer contribution and annual plan maximums.
- Some employees may be one health issue away from financial devastation.

PROS

- An HDHP helps an employer save on healthcare costs while providing valuable tax savings to employees. The first two cons can be addressed with education.
- The third con can be alleviated depending on how the employer funds the reimbursement account paired with the HDHP. (If the employer chooses not to fund it, then the con remains.) If the employer does contribute to the reimbursement account, the amount and frequency can make or break this type of plan.

HSA FUNDING OPTIONS: FOOD FOR THOUGHT

PAYROLL FUNDING (WEEKLY, BI-WEEKLY, ETC.)

- Depending on the amount of the employer contribution, it may take weeks or months for an employee to save enough to cover a single sick visit. This means you will likely have lower participation unless the employer has a young, very healthy, or financially fit employee population.
- Conversely, the employer has minimal risk of losing money.

QUARTERLY FUNDING

- This serves as a middle ground for both employees and employers. A younger or healthier employee population is likely to take advantage of this plan.
- This method provides more money for the employee up front but may still deter members from certain doctor visits or surgeries. In the event of a semi-costly health-related expense, the employee may face some hardship depending on their financial position.
- Employees with costlier health-related issues may leave the plan the next year if a copay plan is offered.

UPFRONT FUNDING

- This method provides a cushion for a costly medical service and creates a more positive perception among employees. It encourages more enrollment in the plan.
- With education, employees could consider saving for other future healthcare needs.
- The employer can lose money if an employee leaves or is terminated.

LAST, BUT NOT LEAST

When medical benefits and reimbursement products are administered by the same organization, employers have greater insight into the plan as well as expanded capabilities and enhanced customer service.

Getting employees started off on the right foot with their reimbursement account will help encourage future participation in the health plan. **Nova can help.**

DID YOU KNOW?

If a spouse has an HSA, an employee cannot enroll in a medical FSA but they can elect a Limited Purpose FSA (LPFSA) or Dependent Care FSA. An employee with an FSA can move funds to an LPFSA. Nova makes it easy for employees to monitor account activity through our online Consumer Information Center and the NovaFlex App.

COMMON SCENARIOS, QUESTIONS, & CONCERNS

SCENARIO:

The employer offers a traditional copay plan and an HDHP paired with an HSA. The traditional copay plan has a higher monthly premium than the HDHP but the copays are the same. The HDHP has low monthly premiums and copays but a high out-of-pocket deductible. How do you help employees decide which to choose?

CONSIDERATIONS:

- What does their monthly health spend (actual cost, not just copays) look like? They should refer to their Explanation of Benefits (EOBs) or check with their insurer to understand the entire cost for recent services and/or prescriptions.
- Do they have any pending surgeries or large healthcare expenses?
- Do they have any serious/chronic health issues requiring regular treatment/medication?
- How much is deducted from their paycheck to cover the premium for each plan option?
- How familiar are they with a deductible?
- Do they have any savings set aside that could be used for large, unexpected medical expenses?



CONVERSATIONS WITH EMPLOYEES

OPTION 1: COPAY PLAN AND MEDICAL EXPENSES

You pay $344 a month for your copay plan and do not have any reimbursement accounts (HSA, HRA, FSA), which comes to $4,128 per year (not including the actual out-of-pocket copays). Then add in $164 in copays bringing your total cost this past year to $4,292. You benefit from the peace of mind knowing all you have to do is show your health insurance ID card and pay a copay to receive the service(s) you need.

OPTION 2: HDHP WITH AN HSA

You elect the HDHP and don't have a monthly premium cost. Your employer provides $1,500 in an HSA upfront towards a $3,000 deductible. Your initial monthly cost is $0. But what if something major happens that costs $5,000 early in the plan year?

Although you will already have $1,500 from your employer towards that $5,000, your deductible is $3,000, bringing your out-of-pocket cost to $1,500. Do you have an extra $1,500 on hand in case this happens? Now your health plan is essentially a copay plan because you've met the deductible.

Since you do not have a premium payment, you opt to contribute $300 each month to your HSA. After a few months of contributions to the HSA, you can submit a claim and pay yourself back for that $1,500. You can also use your HSA funds to reimburse yourself for copays or continue to accrue money in your account; you own it and the money rolls over year after year. Additionally, you're saving on income taxes because your HSA contributions are deducted from your paycheck on a pretax basis.



DID YOU KNOW?

You can also use your HSA funds to reimburse yourself for copays or continue to accrue money in your account; you own it and the money rolls over year after year.

LET'S COMPARE OPTIONS

OPTION 1: COPAY PLAN

Total Cost = $4,292

Breakdown

- $4,128 annual premium ($344/month x 12 months)
- $164 in copays for the year
- Investment: $0
- Tax Savings: $0

OPTION 2: HDHP WITH HSA

***Total Cost = $5,264**

Breakdown

- $0 annual premium
- $164 in copays for the year
- $3,600 contributed to HSA ($300/month x 12 months)
- $1,500** balance required to cover the gap between employer contribution toward deductible ($1,500) and full deductible ($3,000)
- Investment: $1,936 remaining in the HSA to fund future healthcare-related expenses
- Tax Savings: A married employee making $30,000 per year would save an additional $720 in taxes by contributing to an HSA. Year after year an HSA offers the potential to continue saving on taxes and set aside funds as an investment to cover future healthcare-related expenses.

At the end of the plan year, the employee can elect to reimburse themselves the **$1,500 payment from the start of the plan year

* **Total Cost = $3,044** (Total upfront cost of $5,264 minus the $1,500 reimbursement and $720 in tax savings)

TO ESTIMATE YOUR HSA TAX SAVINGS, CHECK OUT THESE HSA TAX CALCULATORS:

HSA & 401(k) Maximizer
https://bit.ly/SavingsMaximizer

HSA Store Calculator
http://bit.ly/HSAstoreCalculator

HSA Bank Calculator
http://bit.ly/HSAbankCalculator

HSA FUNDS

$1,500
Out-of-Pocket Expenses Reimbursement

$164
Copay Reimbursement

$1,936
Available to Pay for Future Medical Expenses

HEALTH DEBIT CARD DEACTIVATION

SCENARIO:

My debit card was deactivated! How did this happen?

Because the IRS allows employees to set aside funds tax-free, they set rules for use of reimbursement account funds. Nova must verify every claim is an eligible expense in accordance with IRS guidelines. There are some instances where Nova may need to reach out to your employees to request substantiation to verify the eligibility of an expense. When that happens, Nova sends letters to the cardholder to request proof that the claim is eligible. If Nova does not receive a response after a period of time, the debit card is deactivated. This does not impact the funds in the account, but the cardholder will need to provide the required documentation to substantiate the expense and reactivate the debit card.

Reasons substantiation may have been requested:

- To validate the date of the expense aligns with the plan year.
- To ensure expenses are for the subscriber or eligible dependents.
- To ensure you reconcile out-of-pocket cost for services.
  For example, a provider asks for payment up front but after the claim is processed by the insurance administrator, the member responsibility is less than what the provider charged.
- The name or description of a merchant does not clarify the type of expense.
- A provider asks for payment in advance of services but the patient does not receive the services.

THE GOOD NEWS

Nova offers several easy ways for employees to submit documentation:



Online

Log in to https://myflexspend.com or download the NovaFlex App



Email

flex@novahealthcare.com



Fax

(716) 774-8092



Mail

Nova Healthcare Administrators, Inc.
PO Box 1534, Buffalo, NY 14231

SUBSTANTIATION FOR DEBIT CARD USE

SCENARIO:

An employee is asked to provide substantiation for a claim even though the health debit card was used to pay for a service received at the doctor's office. Why?

Swiping the debit card allows an employee to electronically access funds through an Inventory Information Approval System. This swipe only verifies the time and location (merchant/provider) of an expense; it does not indicate what was paid for and who received the service. Substantiation may be required to verify the service was for the employee or a covered dependent and is a qualified expense in accordance with the IRS guidelines and the employer's provisions. It is important for employees to retain copies of all itemized receipts for each debit card transaction.

The required documentation for debit card purchases is the same documentation required when submitting traditional paper claims. Employees can provide an itemized receipt from a provider's office or an Explanation of Benefits (EOB) as substantiation for a debit card transaction.





APPROPRIATE DOCUMENTATION

Below is a guideline of the required documentation for common types of eligible expenses.

- **Healthcare Services** – An insurance plan's Explanation of Benefits (EOB) statement, a copy of claims history (including the service in question), or any equivalent document from a medical carrier is preferred, as most medical services must be billed to insurance. If an itemized receipt* or bill from the provider is supplied, it needs to include the patient's name, a description of the service, the original date of service, and their portion of the charge.
- **Prescription Drug Purchases** – A pharmacy statement, pharmacy tag (from the pharmacy), claim history from the insurance carrier, or printout from the pharmacy including the patient's name, the Rx number, the name of the drug, the date the prescription was filled, and the amount paid.
- **Over-the-Counter (OTC) Healthcare Items** – An itemized cash register receipt with the merchant name, name of the item/product, date, and amount paid. In some cases, a Letter Of Medical Necessity from a physician may be required.
- **OTC Medicines** – A written OTC prescription along with an itemized cash register receipt that includes the merchant name, name of the OTC medicine or drug, purchase date and amount, or a printed pharmacy statement or receipt that includes the patient's name, the Rx number, the date the prescription was filled, and the amount paid. In some cases, a Letter Of Medical Necessity from a physician may be required. Credit card receipts, canceled checks, pre-treatment estimates, and balance forward statements do not meet the requirements for acceptable documentation.

*This provided documentation may result in a request for submission of an EOB.

SUBSTANTIATION DOCUMENTS CAN BE SUBMITTED SEVERAL WAYS:

Online

Log in to https://myflexspend.com or download the NovaFlex App

Email

flex@novahealthcare.com

Fax

(716) 774-8092

Mail

Nova Healthcare Administrators, Inc.
PO Box 1534, Buffalo, NY 14231

DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT

SCENARIO:

An employee has a debit card for a Dependent Care Flexible Spending Account (DCFSA) but there never seems to be enough money in the account to use the card to make a payment (for daycare, afterschool care, etc.). What's going on?

By setting aside pre-tax funds from your paycheck in a DCFSA, an employee can reduce their taxable income. Since contributions accumulate in a DCFSA as the year progresses, there are a few ways to pay for child care costs.

Depending on the amount and frequency of child care costs, an employee will have to accumulate the funds in their DCFSA through payroll deductions before the debit card can be used to make payments to the child care provider. A debit card is designed for convenience, although using a debit card is not required to access funds.

An employee can pay for child care expenses out of pocket and submit a claim for reimbursement in one of several ways:



Online: Visit https://myflexspend.com or download the NovaFlex App to upload documentation and submit claims electronically



Submit a dependent care claim form and documentation via fax or standard mail

An employee can request reimbursement for the full amount they plan to contribute to the DCFSA. For example, a parent may pay $250 per week for child care and elects to set aside $5,000 in a DCFSA for the year. The employee can elect to submit claims for reimbursement at the end of the year to receive a reimbursement of $5,000. The DCFSA holder will be reimbursed for the amount of the claim up to the total amount in the account at the time the claim is submitted. If the claim cannot be reimbursed in full, the account holder will receive payments as money accumulates in the DCFSA. There is no need to resubmit claims.

IMPORTANT NOTE:

To qualify for reimbursement, dates of service must occur within the plan year from which the reimbursement has been requested.

For example, an employee cannot use the debit card or be reimbursed for next year's registration in a preschool or camp.

Give us a call today to learn more.

AskNova@novahealthcare.com or 716.932.5105

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