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General

1. What is the Medica Direct HRA?

Medica Direct is an innovative product that helps engage employees in managing health care costs. This is done through offering a deductible plan combined with a HRA, a self service website and a suite of Decision Support Tools for members to learn about health conditions and costs and make better health care decisions.

The HRA itself is an employer funded “account” that employees can draw from to cover expenses before they reach their deductible and out of pocket maximums. The “account” is funded with virtual rather than real dollars meaning that if an employee leaves his or her employer, he or she does not take these dollars.

2. How will Medica Direct provide an incentive to employees to change their behaviors?

If employees do not use all of the funds in their HRAs, all or a portion of the funds will roll over to the following year – thus creating a smaller gap between the HRA and the deductible.

In addition, as part of our commitment to members’ health, Medica continues to cover preventive care at 100% so that there is incentive to seek routine treatment.

Finally, Medica has partnered with a number of Decision Support Tool vendors to provide employees with quality and cost information in order to make informed health care decisions.

Health Plan Design

3. Will the health plan follow an In & Out-of-Network plan design?

Yes.

4. Is first dollar preventive care provided?

Yes.

5. How are prescription drugs handled?

Several prescription drug options are available to the employer:

- 3-Tier (preferred)
- Copayment*
- Deductible/Coinsurance*

These copayments are generally reimbursed through the HRA if funds are available. Check with your Medica account executive for details.

* Available for the groups with 51+ employees.

HRA

6. Is the HRA part of the health plan?

Yes, the HRA is a self-insured wrap around the fully insured or self-insured medical plan.

7. What amount is funded by the employer in the HRA annually?

Generally the HRA is funded between 0-60% of the deductible.

We also offer several options for funding this account for new hires. Check with your Medica account executive for details.

8. What HRA spending options are available to the employer?

Employers have several options of how employees spend money from their HRA:

- HRA Dollar First

HRA dollars will pay first before the employee has any out-of-pocket expense.

Example: \$2000 deductible with a \$1000 HRA

HRA	Employee
\$1000	\$1000

- HRA Bridge

The employee will have to pay some dollars out-of-pocket prior to the HRA paying.

Example: \$2000 deductible with a \$1000 HRA

Employee	HRA	Employee
\$500	\$1000	\$500

- Coinsurance Sharing HRA

The employer will select a predetermined coinsurance percentage for the HRA (i.e. 80%). Medical expenses sent to the HRA will be processed at the coinsurance level.

Example: \$2000 deductible with a \$1000 HRA. Medical bill in the amount of \$100 is submitted to the HRA for reimbursement.

HRA	Employee
\$80	\$20

9. Can an employer have both an HRA bridge and a coinsurance sharing HRA?

Yes, the employer can choose to implement an HRA bridge and a coinsurance sharing HRA.

Check with your Medica account executive for details.

10. Will the HRA have individual limits for each person within a family?

No, one member of the family could exhaust the entire HRA with deductible, coinsurance and/or co-payment expenses.

11. Do all unused amounts roll-over?

Generally up to 2x the employer contribution will roll-over into the next plan year. This means that at the beginning of the third plan year, an employee who has used no HRA dollars could have three times the employer contribution in his or her HRA.

Check with your Medica account executive for details.

12. Are HRA funds considered taxable income to employees?

No.

13. What amount is available in the HRA at the beginning of the plan year?

Generally, the full amount of the HRA is available at the beginning of the plan year.

Check with your Medica account executive for details.

14. What happens to my HRA if I change or terminate coverage during the plan year?

Most HRA's are prorated monthly for the time that you have coverage. That means that if you change from single to family coverage during the year, your HRA will take into consideration the number of months with a single HRA contribution and the number of months with a family HRA. For example: if you have a \$1000 HRA for single coverage effective 1/1 and then change to family coverage with a \$2000 HRA on 7/1, your HRA will be adjusted to \$1500 for the remainder of the plan year ($\$1000/12 \text{ months} * 6 \text{ months} = \500 plus $\$2000/12 \text{ months} * 6 \text{ months} = \1000).

If you terminate coverage during the plan year, your HRA will be prorated for the number of months that you had coverage. For example: if you have a \$1000 HRA for single coverage and terminate on 7/1, your HRA will be adjusted for only 6 months of coverage ($\$1000/12 \text{ months} * 6 \text{ months} = \500).

Check with your Medica account executive for details.

15. Who “owns” the HRA?

The employer – employees cannot take these monies when they leave the employer.

16. Can the HRA reimburse for all Section 213(d) expenses?

No, the HRA will mirror the medical plan.

17. Where are payments from the HRA sent?

Payments from the HRA are sent to the employee. The employee can also choose to have the payments sent directly to a checking or savings account by completing a Direct Deposit form.

18. How does the HRA pay if the employee has secondary insurance?

The HRA is combined with the health plan, so it will pay regardless of whether there is secondary insurance coverage.

19. How does an employee get a reimbursement from the account?

Claims are automatically submitted to the HRA and checks will be automatically generated or direct deposits made until funds are exhausted.

Claims cannot be submitted manually to the HRA.

Each reimbursement will include a statement indicating the amount paid, date paid and balance remaining in the HRA.

20. How is personal health information protected?

Data transfers are completed by FTP – a secure means of passing information and Medica has instituted an e-mail encryption process for e-mail traffic.

Additionally, the Medica Direct website is secure and can be accessed via social security number or Medica assigned alternate ID number found on the member identification card.

The detail of information visible on the web is limited to comply with HIPAA privacy policy.

Terminations

21. What happens to the account if the employee terminates? Retires?

Unless the employee elects COBRA – the account is forfeited.

22. How is the COBRA premium handled?

The employee would pay the medical premium. The employer would continue to fund the HRA and the two are fully integrated – the employee cannot elect one without the other.

23. How are COBRA continuants handled?

Impact to the HRA funding:

Terminated Employee

When a terminated employee elects COBRA coverage, the HRA balance remains at the same level as when employed. The employer is required to continue to fund the HRA at the level as active employees based on single or family coverage during the entire duration of COBRA coverage.

A change in contract type status (e.g. a change from a family to single contract at the time of the qualifying event) does impact the amount of the HRA carried over from active status to COBRA status. The HRA amount would be prorated based on the amount of time on each contract type status.

Divorce, Legal Separation or Dependent No Longer Eligible

If a covered dependent elects continuation coverage, an HRA will be established under the Plan for the benefit of the dependent.

The dependent's HRA will be credited with the amount of the employee's unused balance as of the date continuation coverage commenced, without impacting the employee's HRA balance. Any amount credited toward deductible and/or out-of-pocket for the Plan Year for the beneficiary, will be credited for the remainder of the plan year. An additional credit will be made at the beginning of each following Plan Year while continuation coverage is in effect.

The employee's HRA amount for the current plan year would be prorated for the number of months they were on family and the number of months they were on single. If there was no coverage level change, then the HRA balance would remain the same.

24. How will the HRA balance be funded for rehires?

A rehired employee will be treated as any new employee under the plan. The covered employee will have a prorated HRA benefit amount available, based on the number of months of coverage that the employee will have during the remainder of the plan year.

Administration

25. Why are there two summary plan descriptions (SPDs) for Fully Insured only?

The medical plan is a fully insured plan while the HRA is a self-insured “wrap”. This arrangement requires a COC (Certificate of Coverage) for the medical plan and a PD (Plan Document) for the HRA.

26. How is customer service handled?

All customer service is through Medica. Employees simply call the number on their ID card. A special group of Customer Service Representatives have been trained to answer all Medica Direct questions.

Claims Processing

27. Does claim processing under the health plan change with this product?

Medica claims processing will not change. However, once the claims are processed and the provider is paid for Medica's portion of the bill, the member liability portion of the bill will be processed under the HRA and a check cut to the employee if there are funds available.

28. Will the medical explanation of benefits indicate deductible accumulations?

Yes.

29. Will the HRA statement indicate whether expenses were paid out of the HRA?

The HRA statement will be separate and will indicate that the funds came from the HRA. This statement will accompany the check to the employee or will be mailed separately for employees taking advantage of Direct Deposit.

30. Will the HRA statement indicate how the health plan paid?

No, the medical explanation of benefits will explain this.

Network and Providers

31. Can Medica's networks be used?

Yes, if the employer group chooses to offer these networks, members can choose any of the Medica networks at enrollment.

Additionally, there is an out-of-network benefit available for most Medica products.

32. Will providers expect the employee to pay at time of service?

Medica in-network providers will send the claim to Medica to be processed prior to requesting any money from the member. Medica will send the payment and/or explanation of benefits to the provider. The provider will then bill the member for the member liability portion of the claim.*

Members may be asked for payment at point of service when accessing out-of-network providers.

*Members will need to pay for pharmacy claims at point of service.

Employee Materials

33. What will employees receive at open enrollment time?

- Medica Direct brochure
- Summary of Benefits
- Description of the employer's network offering(s)
- Direct Deposit form

Health Decision Tools

34. What online Decision Support Tools does Medica Direct offer?

Coverage Advisor helps you estimate your out-of-pocket expenses under different benefit plans – available on www.medica.com

- Main Street Medica allows you to compare providers on cost and quality - available on www.medica.com and www.myMedica.com
- Treatment Cost Estimator gives you general cost estimates for a variety of procedures – available to some members on www.myMedica.com
- The Drug Formulary helps you maximize your prescription drug benefit – available on www.medica.com and www.myMedica.com
- Find a Doctor lets you search for providers in your plan's network – available www.medica.com and www.myMedica.com
- HealthForums.com provides you with a variety of health and wellness resources – available on www.medica.com and www.myMedica.com

35. How is hospital quality information being provided and displayed?

Information about provider quality is available on Main Street Medica and can be accessed on www.medica.com and www.myMedica.com. Additional resources are available to members on www.myMedica.com.

Web Site / Web Self-Service

36. How do employees find information if they do not have access to the Web?

These individuals can contact Medica Customer Service by calling the phone number on the back of the ID Card.

Special Tax Considerations

37. What happens if I have a non-tax eligible dependent covered under my medical and HRA?

If you have a non-tax eligible dependent (a person that is eligible for health coverage but not a tax dependent under federal tax law) covered under the medical plan and HRA, your employer must add the value of the medical plan coverage **and** HRA back into your wages. Like other wages, this imputed income is subject to income tax withholding and payroll taxes (FICA and FUTA). Determining who is a tax dependent can be complicated, please see your tax advisor for more details.