

Health Reimbursement Arrangement Forms and Documents

Provided for exclusive use by members of the National Association for the Self-Employed

The National Association for the Self-Employed is pleased to provide NASE members with the forms and documents to self administrate an HRA 105 Plan. It is important that you carefully read all the information in these documents and understand their purpose and use.

The NASE has made reasonable efforts to provide that all forms, documents, and information is accurate and up-to-date however, the NASE can not guarantee that there might not exist a federal or state regulation or an individual member's situation that might not be in conflict with federal or state regulations. As each business may have special circumstances or may be subject to specific regulations in their state, it is suggested that before establishing a Health Reimbursement Arrangement or using the NASE forms and documents that a professional with knowledge and expertise in HRA plans be consulted.

After setting up your HRA plan you should periodically re-visit the NASE HRA website to check for updates, revisions, and other information that could be important to the ongoing administration of your HRA plan.

If you have any questions pertaining to setting up or administrating your HRA plan you can contact the NASE business consultants at 1-888-650-6273 or email nasehra105@nase.org.

About the HRA Forms and Documents

The forms and documents provided by the NASE can be directly downloaded to your computer. It is suggested that you establish a separate folder on your computer to hold all of the forms.

When completing Create My HRA Plan process the forms and documents will generally be automatically populated for you. Some of the forms such as the Request for Reimbursement, Annual Reimbursement Report, and Employee Distribution Record that you will use on an ongoing basis and need to input employee and other information will need to be completed by you each time you prepare one of these reports.

Implementing your HRA Plan

The following is a list of actions that you should take to implement your HRA plan using the NASE forms and documents. Be aware that different steps might apply depending on whether you are establishing an HRA plan for the first time or if you have an existing HRA plan and are starting to use the NASE forms and documents to administrate your Plan.

Each of the following documents should be reviewed and will be completed in the order that they are presented in the set-up process. This set-up guide provides you with an explanation of each document and how it should be used. While you may not need to execute a particular form for your HRA, you should review it closely and be familiar with its purpose. Once you have reviewed and completed the set-up process all forms should be printed out, signed if necessary, and made part of your permanent business files.

There is no requirement for you to file any form with the NASE or government agency.

Federal Employer Identification Number (EIN)

Before you complete the HRA set-up process you will need to have an EIN issued by the IRS. If you do not have an EIN you will need to obtain one as an EIN is required for any business that has employees. The EIN is a tax identification number for the business similar to a social security number is a tax identification number to an individual.

If you need to obtain an EIN, the easiest way is visit the IRS website at www.irs.gov and in the Tools Section click on the option Apply for an EIN Online. You will then be able to apply online and receive your EIN after answering a few questions.

Adoption Agreement

The purpose of the Adoption Agreement is for the employer to officially adopt an HRA plan. Once an HRA plan is adopted the plan is perpetual until that particular business expires or the business rescinds or suspends the existing HRA plan.

If you have already adopted a Health Reimbursement Arrangement for a specific business and you are simply changing the administration method of your HRA plan to use the NASE forms and documents, it is not necessary for you to complete a new Adoption Agreement.

If you are establishing an HRA plan for the first time, you need to complete this form and retain a signed copy in your permanent business files.

In addition to the Adoption Agreement of the HRA, IF the business is formed as a Corporation the election of an HRA plan should be approved by the Board of Directors and affirmed in Corporate minutes as a resolution. If the business is formed as a Limited Liability Company (LLC) the HRA plan should be approved by the LLC managing members and affirmed in the LLC records. If the business structure is either a sole proprietorship or general partnership, the Adoption Agreement is the only document necessary to elect the formation of an HRA.

Master Plan

The Master Plan is the primary plan document that establishes the particulars and specific details of the Health Reimbursement Arrangement Plan. It is a very important document and you should have a complete understanding of the details within the Master Plan.

Eligibility

Plan Eligibility Hours: The HRA plan can designate the number of hours for an employee to be eligible to participate in the HRA. A common election is that only full time employees qualify. The definition of full time is commonly an employee regularly scheduled to work 30 hours or more per week. However, some states establish a lower number of hours whereby employees must be eligible for certain benefit and medical plans. Some businesses will use a lower number of hours such as 20 or 25 hours per week to qualify as full time. It is at the option and discretion of the employer to decide the number of hours worked to be eligible to participate in the HRA however, it is suggested that you check with your tax professional to determine if your state establishes a minimum number of hours whereby you must provide HRA plan benefits.

Plan Eligibility for initial plan establishment: If you are establishing this HRA plan for the first time, you can allow current employees to be immediately eligible to participate in the HRA plan. Without this option employees must meet all other eligibility requirement such as length of service.

If you already have an HRA plan and are establishing this document as your revised Master Plan you must abide by the eligibility requirements established in your previous plan.

Ongoing Eligibility for employees: There are common exceptions for meeting employee eligibility. However, you can establish whatever parameters you wish, with a couple of exceptions. You can not increase the length of employment greater than 36 months nor the employee age to be greater than 25. Following are the common options for employee eligibility to participate in the HRA plan.

Employees become eligible to participate in the Plan on their effective anniversary except employees excluded below:

- a. Employees with less than 36 months of continuous employment;
- b. Employees who have not attained age 25;
- c. Part-time employees;
- d. Temporary employees whose annual employment is less than 7 months per year;
- e. Members of a union covered by a collective bargaining agreement if the Company has bargained in good faith on the subject of accident and health plans; and
- f. Nonresident aliens who receive no earned income from the Company which constitutes income from sources within the United States.

Eligible Medical Care Expenses

Medical Care Expenses for medical expenses: The Plan can stipulate limitations on what medical expenses are covered under the HRA. Example; if you want the Plan to cover only medical insurance, you can limit the plan to only that. If you don't want the Plan to cover dental or eye care, you can restrict the Plan to not include reimbursement for those medical costs. What you can not do is to stipulate in the plan to reimburse medical expenses that the IRS does not allow. Example; only Prescription Drugs are allowed to be reimbursed so you can not reimburse an employee for over the counter drugs unless they have a written prescription from a licensed Doctor. For clarification of what medical expenses qualify for reimbursement and what medical expenses don't qualify for reimbursement you can refer to IRS Publication 502 – Medical and Dental Expenses.

If you want to cover or limit medical expenses other than are stipulated in the standard Master Plan, please call the NASE consultants at 1-888-650-6273 for assistance in modifying your plan.

Establishment of the HRA Account

Contributions to Participant Funds: In the Plan, the employer can choose how often they will credit an amount to a Participant's Account. The most common options are either monthly, quarterly, or annually. It is important to carefully choose this option as a Participant can not be reimbursed for amounts that exceed the balance in their personal account record. It is suggested that you choose either monthly or quarterly and NOT annually.

Carryover of Accounts

Carryover of Accounts: A carryover allows a Participant to move unused reimbursements from one year to the next. Example; if the maximum annual reimbursement is established at \$5,000 and a Participant is only reimbursed \$4,000 during a plan year, they can (if established in the plan) carry over the unused \$1,000 in the following year and be reimbursed up to the maximum for that year plus the \$1,000 carryover.

The Company has the option to (1) allow a carryover without any limits, (2) allow a carryover limiting a maximum amount that a Participant's account can grow to, or (3) not allow carryovers at all.

Summary Plan Description

The Summary Plan Description (SPD) is the plan overview that the employer should distribute to the employee participant as an explanation of the HRA plan. The employee should NOT receive a copy of the business's HRA Master Plan. When an employee becomes eligible for and elects to participate in the HRA plan they should receive a copy of the Summary Plan Description (SPD).

It is important to assure that all information in the SPD is the same as information in the Master Plan. In some cases, the SPD may contain information not included in the Master Plan for explanatory purposes.

Annual Reimbursement Schedule

The purpose of the Annual Reimbursement Schedule is for the employer to affirm or adjust the maximum dollar amount that will be allowed to be reimbursed to each eligible employee during the plan year under the HRA plan.

It is advisable for the employer to review and complete this schedule on an annual basis. IF the business is formed as a Corporation the annual reimbursement amount should also be approved by the Board of Directors and affirmed in Corporate minutes as a resolution. If the business is formed as a Limited Liability Company (LLC) the annual reimbursement amount should be approved by the LLC members and affirmed in the LLC member records. If the business structure is either a sole proprietorship or general partnership, this Annual Reimbursement Schedule is the only document necessary to establish the maximum annual reimbursement limit.

The Annual Reimbursement Schedule should be reviewed and reaffirmed once per year before the beginning of the new Plan Year and an executed Annual Reimbursement Schedule filed in your permanent business file.

Employee Election and Maintenance Form

The purpose of the Employee Election and Maintenance Form is the official company form to track employee and employer activity as to participant eligibility and participant information on an ongoing basis.

The initial purpose of this form is when an employee becomes eligible to participate in the HRA plan. It is important for the employer to complete this form upon a participant reaching their eligibility regardless of whether that employee elects to participate or declines to participate in the HRA plan.

The employer should complete all information either for the initial participation or information changes and completely fill in all boxes or lines of information that are relative.

All executed Employee Election and Maintenance Forms should be kept in either the employee's personnel file or a master employee HRA file.

Request for Reimbursement Form

The Request for Reimbursement is the form that an employee must submit to the Plan Administrator to request reimbursement for medical expenses under the HRA.

At the end of a reimbursement period, usually monthly or quarterly, an employee participant should (1) complete a Request for Reimbursement form, (2) attach copies of receipts or proofs of payment substantiating each expense, (3) sign and date the Request for Reimbursement, and (4) submit the completed form to the employer for review.

The employer should (1) review all information submitted, (2) assure that the receipts show the date of medical service provided, the service provider, and the amount the employee paid, (3) upon verification initial the approval line or disapprove the report, (4) upon payment to the employee, the business accounting individual should designate the check date, the check amount, and the check number, and (5) the reimbursement should be distributed to the employee participant.

Annual Reimbursement Report

The purpose of the Annual Reimbursement Report is to provide each Participant with a record of the dollar amount that they received during the Plan Year.

This form should be completed during the first part of January each year and a copy provided to each Participant

Employee Distribution Record

Employee:

Social Security Number:

Address:

State:

ZIP :

1. Replace [XX] with respective plan year.
2. Input Annual Reimbursement Limitation from Annual Reimbursement Schedule.
3. Input actual reimbursement total from employee's Annual Reimbursement Report.

<i>(1)</i>	<i>(2)</i>	<i>(3)</i>		
<i>Plan Year</i>	<i>Annual Limitation</i>	<i>Annual Reimbursement</i>	<i>Annual Variance</i>	<i>Unreimbursed Carryover Balance</i>
20[XX]			0.00	0.00

The purpose of the Employee Distribution Account Record is to provide both the Participant and the employer with an ongoing record of the dollar amount that a Participant has available to draw reimbursements against and an ongoing record of the employer's obligation for a particular Participant's HRA reimbursable balance.

This form is set-up so by entering information in items (1), (2), and (3) the Annual Variance and the Unreimbursed Carryover Balance will be automatically calculated.

This form should be completed the first part of the plan year (usually January) each year.

In Closing

Keep good records on the activities of the Plan. At a minimum, keep photocopies of all documents, requests for reimbursements, letters, notices, employee eligibility forms, and any other information relative to the operation or administration of the Plan. Currently no federal or state agency, including the Internal Revenue Service or the Department of Labor, has any filing requirements for HRA plans for small and micro businesses. However, the Plan is subject to audit and examination making good record keeping a must.

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