



## EMPLOYER PROVIDED BENEFITS

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reduction agreement on the part of an employee. Employees are reimbursed for qualified medical expenses up to a maximum dollar amount. HRAs may be offered with other health plans, including Flexible Spending Arrangements (FSAs).

There are two benefits to the employee of an HRA. First, contributions made by the employer to the HRA are excluded from the employee's gross income. Second, reimbursements received by the employee under the plan are tax free if they are to reimburse qualified medical expenses. If any distribution can be made for other than reimbursement of qualified medical expenses (such as unused amounts being payable in cash), the distribution amount is included in income. Such arrangements are not common in HRAs of Vermont employers.

Non-prescription medicines (other than insulin) are not considered qualified medical expenses for HRA purposes. A medicine will be a qualified medical expense only if it requires a prescription, is available over the counter but the employee has a prescription for it, or is insulin.

Employer contributions to health plans. Under §106, contributions to the cost of accident or health insurance, including qualified long-term care insurance paid by an employer, are excludable from the income of employees. This includes employer contributions to a Health Savings Account (HSA) or Archer Medical Savings Account (MSA).

A Health Saving Account is a tax-exempt trust or custodial account that is set up with a qualified HSA trustee to pay or reimburse certain incurred medical expenses. To be eligible to establish an HSA, you

(1) must be covered under a high deductible health plan (HDHP), (2) have no other health coverage except what is permitted, (3) are not enrolled in Medicare, and (4) cannot be claimed as a dependent on someone else's tax return.

Generally, an employee who is covered by an HDHP – as well as a health FSA or an HRA – cannot also make contributions to an HSA. However, there are exceptions for an employee who is covered under a limited-purpose health FSA or HSA, who has a suspended HSA, who has a post-

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## HOW HEALTH ADVOCATE CAN WORK FOR YOU

This is the second in an occasional series of true-life stories from Health Trust subscribers sharing their experiences with Health Advocate. Health Advocate is a resource to subscribers and their dependents to help them understand their insurance coverage and get the most value from it. For more information, please visit [www.vlct.org/rms/health-trust/health-advocate/](http://www.vlct.org/rms/health-trust/health-advocate/).

### BILLING SNAFU RESOLVED – AND A USEFUL RESOURCE REVEALED

The first thing to understand about Larry St. Peter, who works in the Public Works Department of the Village of Essex Junction, is that he is very responsible about money. He and his wife Robyn budget carefully, are aware of their bills, and pay them promptly – even the ones that don't come monthly, such as medical bills.

This family of six does use the health care system, and last year they had a set of non-preventive visits which Larry figured would add up. Being on a high-deductible health plan, Larry was prepared to pay the bills with the CHOICE Strategies debit card that he has through the Village. But he never got any bills from Fletcher Allen Health Care or any Explanations of Benefits (EOBs) from their new carrier, Blue Cross Blue Shield. What he got, when he finally got something, totally shocked him: a letter from a collections agency saying he owed \$4,200 to make good on a debt to Fletcher Allen. The letter was soon followed by phone calls from the agency, as if he and Robyn were scofflaws.

Larry tried paying the collections agency with the CHOICE Strategies card, but the charge was refused. CHOICE looks into every charge to make sure it is a qualified medical expense, and the collections agency is simply not a medical provider. So Robyn called Fletcher Allen's billing department and spent time on the phone trying to sort it all out, but they were no help at all. Finally, she called Health Advocate.

It took less than ten minutes on the phone with Health Advocate for Robyn to explain their side of the situation and be understood. Health Advocate gave her a different number to call at Fletcher Allen, and it was all sorted out. The source of the trouble turned out to be that Fletcher Allen had sent all of its bills to Cigna (the St. Peters' insurance carrier the previous year) instead of to Blue Cross. Fletcher Allen rescinded the account from the collections agency, and when the hospital sent the bills to Blue Cross, the St. Peters started receiving their EOBs as they should have all along.

Larry highly recommends not just using Health Advocate, but calling them sooner rather than later if you have any questions about medical care or billing. "Even if you're not sure what you can use the CHOICE Strategies card for – deductibles, co-pays, whatever – just call Health Advocate, and they will explain it to you. Really."

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