

HEALTH REIMBURSEMENT ARRANGEMENT / COBRA

Health Reimbursement Arrangements (HRAs) are treated “just as” group health insurance by the IRS. This means the employer must offer COBRA for employees. Though the regulations are unclear on premium calculations for this benefit, eflexgroup.com suggests the following guidelines be followed until further clarification.

- Total reimbursement amount remaining multiplied by 75% - plus 2%
- Total is your starting point for COBRA premium
- Divide by the number of months left in the current plan year for COBRA premium

EXAMPLE – SINGLE COVERAGE

\$1000 deductible (zero reimbursed year-to-date)

Employee is responsible for the first \$500, the employer will reimburse the additional \$500

Plan year is from January 1 through December 31

Employee terminates June 30

$$\text{\$500} \times 75\% = \text{\$375}$$

$$\text{Plus 2\% (\$7.50)} \quad \text{\$375} + \text{\$7.50} = \text{\$382.50}$$

$$\text{\$382.50 divided by 6 months remaining} = \text{\$63.75 per month for COBRA premium}$$

EXAMPLE – FAMILY COVERAGE – EMPLOYEE HAS BEEN REIMBURSED A PORTION OF THE HRA/MERP

\$1000 deductible (must meet 2 aggregate deductibles for family coverage=\$2000 deductible)

Employee is responsible for the first \$1000, the employer will reimburse the additional \$1000 (employee has been reimbursed \$225 year-to-date)

Plan year is from January 1 through December 31

Employee terminates June 30

$$\text{\$1000} \times 75\% = \text{\$750}$$

$$\text{Plus 2\% (\$15)} \quad \text{\$750} + \text{\$15} = \text{\$765}$$

$$\text{\$765 divided by 6 months remaining} = \text{\$127.50 per month for COBRA premium}$$

NOTE: The employee has used \$225, allowing \$775 remaining to be reimbursed under COBRA if elected

As the employer, you may limit the reimbursement amount allowed for claims per month. This should be identified in your adoption agreement, and communicated in your COBRA initial notice.

REMEMBER: The qualifying beneficiary (QB - active COBRA participant), is eligible for the full amount each year. We suggest following the same calculation as above, but use the full 12 months in your calculation.

DEALING WITH ROLLOVERS

Rollovers are treated for calculations of premium charges and claims for the accumulated fund.

For our other products please review our web site at: www.eflexgroup.com

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The screenshot shows the eflexgroup.com website. At the top, it says "eflexgroup.com" with the tagline "Pre-Tax Benefits and COBRA Administration". On the right side, there are links for "Español", "About Us", "Live Support", and "Request a Quote". The main navigation menu includes "Employees", "Products", "Employers", "Brokers", "PEO", and "Forms". A "News Update" section on the right states "Over-The-Counter Medication is now eligible." and provides links for "More Information", "eflexgroup.com Handout", and "PDF Handout". The footer of the website features the slogan "Eflexgroup...simplifying the complex world of employee benefits."

