



## Payments in Lieu of Retiree Health Insurance

### Using a Retiree-Only Health Reimbursement Arrangement (HRA)



#### Problem

Keeping retirees on an employer's health insurance plan can significantly increase premiums. Additionally, the administrative burdens of paying retiree premiums can be time-consuming and difficult for employers who have limited staff.

#### Solution

Using an HRA in lieu of the employer contribution toward retiree insurance premiums is a win-win scenario: retirees gain the flexibility to choose their insurance provider (including, but not limited to, the group plan) while employers reduce their premium and administrative costs. All communications with the retirees are handled by the administrator.

#### How It Works

- Employer deposits funds into an HRA to be used for retiree health insurance premiums instead of paying for retiree health insurance
- Money defaults into a fixed interest account
- Retiree uses funds to pay for a medical insurance plan of his/her choice

#### Advantages to Employer

- Retirees may leave the employer plan, reducing implicit rate subsidy<sup>1</sup>
- Reduces OPEB (post-employment) liability

#### Advantages to Employee

- Can use funds to purchase any medical plan
- Can use funds tax-free for eligible medical expenses including dental and vision
- Can be used for Medicare Parts B, C, D, and Medicare supplements
- Surviving spouse/qualifying dependents can use remaining HRA balance for eligible medical expenses and insurance premiums if retiree passes away

#### Why Choose National Insurance Services?

- National Insurance Services has extensive HRA expertise and experience since 2002
- Flexibility to customize based on school, city, or county needs
- Scheduled service calls and visits
- Debit card or website reimbursement process (depends upon the plan)
- Fixed or variable investment options
- IRS audit and compliance support

<sup>1</sup>*Implicit rate subsidy: The true age-related cost of retirees is higher than the average active employee. Therefore, when retirees continue on the group health plan, the premium for everyone increases. Retirees are paying less and active employees are paying more to subsidize these costs.*