

213(d) health reimbursement arrangement (HRA) administered through Kaiser Permanente

Funds from a 213(d) HRA can be used to pay for any qualified expenses as defined in IRS Publication 502, *Medical and Dental Expenses*.

HRA effective date

We recommend that employers align their HRA effective date with the effective date or renewal date of the associated Kaiser Permanente health plan. Changes to the HRA can only be made at renewal and, in order to allow corresponding changes to both the health plan and the HRA, it's best to keep these dates aligned. If an employer requests a midyear start for their HRA administered through Kaiser Permanente, we recommend creating a short initial contract period to align the HRA renewal date with the associated health plan renewal date.

HRA fees, banking, and funding

Monthly administrative fee

The monthly administrative fee is \$3.75 per account per month. This fee is paid by the employer for all HRAs for any account holder (i.e., active employees, COBRA members, or retirees). See **Banking arrangements** for details on how monthly administrative fees are charged.

Setup fees

Standard setup: No fee

Nonstandard/custom setup: Setup fees for a custom or nonstandard HRA setup will be determined based on the customer's specific request. Any request for an option or capability not presented in this document will be considered a custom or nonstandard request.

Banking arrangements

Kaiser Permanente Health Payment Services manages both HRA claims funding and monthly administrative fees via Automated Clearing House (ACH) transactions. During the setup process, the employer will complete and sign an ACH form to indicate which bank account they would like to have the ACH transactions debited from.

HRA accounts are notional, and funds will be pulled from the employer's account only as claims or monthly administrative fees are incurred.

For HRA claims, including manually filed claims and automatic payments or reimbursements, our system will batch the total claims daily. Employers will be notified of the total amount to be debited via ACH, usually 24 hours before the debit is initiated.

HRA monthly administrative fees are charged during the month of the HRA administrative services and are debited on the first business day on or after the 27th of each month. Employers will receive an "Employer Fee Funding Notification" email, usually 24 hours before the ACH transaction. Through the Employer Administration Portal, they'll also have access to multiple reports that can be used to reconcile all ACH transactions each month.

HRA funding

Employers can fund an HRA in 3 ways:

- Annual allocations
- Earned wellness contributions
- A combination of both options above

During the setup process, employers will advise Kaiser Permanente Health Payment Services how they want to fund the accounts based on the 3 options above. Additionally, the employer will determine the funding schedule, allocation tiers, proration settings, and any rollover amount.

Funding schedule

The funding schedule determines the availability of the HRA annual allocation for all employees. The funding schedule doesn't apply to rollover amounts or earned wellness contributions that are made available to account holders on the HRA renewal date or the contribution date. See **Maximum annual rollover** and **Wellness contributions** for more information.

Employers can choose one of these funding schedules:

- **100% available on employee effective date:** This is the most convenient allocation choice for employees, since it allows them access to their full HRA allocation on their effective date. It's recommended for HRA products that use Pay to Provider. See **Pay to Provider**.
- **Scheduled monthly funding:** HRA allocations are made available to employees on a monthly basis. Each month's allocation represents 1/12th of the full annual HRA allocation. If scheduled monthly funding is selected, we recommend also selecting monthly proration. See **Proration options**.
- **Scheduled quarterly funding:** HRA allocations are made available to employees on a quarterly basis. Each quarter's allocation represents 1/4th of the full annual HRA allocation. If scheduled quarterly funding is selected, we recommend also selecting quarterly proration. See **Proration options**.

Allocation tiers

Employers can set their annual HRA allocation using 2 or more of these tiers:

Tier 1: Employee only – required selection.

Tier 2: Employee + family – required selection.

Tier 3: Employee + spouse – optional selection. Domestic partners are considered spouses. If not selected, Tier 2 allocation will apply.

Tier 4: Employee + child/children – optional selection. If not selected, Tier 2 allocation will apply.

Proration options

This allows the annual allocation to be prorated for midyear hires and for employees who have a change in coverage tier midyear (e.g., Tier 1 to Tier 2). Employers can choose one of these proration options:

- **No proration:** HRA allocations won't be reduced for midyear hires or employees who have a change in coverage tier midyear. No proration is recommended for HRA products that use Pay to Provider. See **Pay to Provider**.
- **Monthly proration:** HRA allocations will be reduced based on the number of months within the HRA coverage period that the employee was not an active participant. Each month would represent 1/12th of the full HRA allocation. If monthly proration is selected, we recommend also selecting scheduled monthly funding.

- **Quarterly proration:** HRA allocations will be reduced based on the number of quarters within the HRA coverage period that the employee was not an active participant. Each quarter would represent 1/4th of the full HRA allocation. If quarterly proration is selected, we recommend also selecting scheduled quarterly funding.

Maximum annual rollover

Rollover allows some or all unused HRA funds from an HRA coverage period to remain available for account holders to use in the next HRA coverage period. If rollover is offered, the employer will specify a maximum amount to be rolled over each year for each account holder. A “maximum account balance” can’t be set beyond this selection. Employers can set a maximum annual rollover using one of these options:

- **Dollar amount:** If an employer selects the rollover of a specific dollar amount of unused HRA funds, they must provide a dollar amount for each allocation tier already selected. The dollar amount for each allocation tier can match or vary. For example, up to \$500 of unused funds will be rolled over for Allocation Tier 1.
- **Percentage:** If an employer selects the rollover of a percentage of unused HRA funds, the employer will designate both a percentage and a maximum dollar amount to be rolled over each year. A maximum dollar amount must be provided for each allocation tier already selected. For example, 50% of unused funds will be rolled over up to a \$500 maximum for Allocation Tier 1.

If an employer selects rollover, the rollover of unused funds will be applied to the new HRA coverage period on the first day of the new HRA coverage period.

Run-out period

The run-out period is a 90-day period following the HRA coverage period in which an account holder can submit claims for qualified expenses incurred during the HRA coverage period. Once this 90-day period is over, no claims for that HRA coverage period can be submitted. The run-out period starts at the end of the HRA coverage period or when an employee is terminated from the HRA.

Wellness contributions

Employer HRA contributions made as a result of an employee completing wellness activities are submitted through a contribution file provided to Kaiser Permanente Health Payment Services. The contribution file indicates the applicable contribution amounts for any specific period.

Contribution file provider: The wellness contribution file can be sent by any of the following parties:

- Employer group
- Kaiser Permanente Workforce Health
- Wellness administrator
- Third-party administrator (TPA)

Contribution file type: The wellness contribution file can be sent in one of these formats, which will be determined during the setup process:

- **CSV file format:** This file is uploaded to the Employer Administration Portal.
- **SFTP:** Available to employer groups with 200 or more employees. This file is uploaded to a Secure File Transfer Protocol (SFTP) site provided to the employer during the setup process.

Transferring from an existing HRA administrator

Employers who are moving from an existing HRA administrator may want to transfer existing balances from their employees' HRA to the new HRA administered through Kaiser Permanente. A one-time transfer is allowed, which requires a report listing the enrolled employees and the balance that should be transferred to the new HRA. Since this is allowed on a one-time basis, employers should determine the best time to have their previous administrator generate this report in order to ensure accuracy due to any run-out period or outstanding claims with the previous HRA. Kaiser Permanente Health Payment Services will help the employer with this during the setup process.

Employer reporting

There are several reports available to all Kaiser Permanente employer groups via the Employer Administration Portal. Access to these reports will be discussed during the setup process.

Payment History Report

The Payment History Report summarizes the amount issued in checks, direct deposits, and health payment card transactions (if applicable) for the previous month. The report is available on the Employer Administration Portal on the second calendar day of the month.

Account Balance Detail Report

The Account Balance Detail Report encompasses each account holder's election, claims paid, deposits, and available balance. This report is a snapshot (at the time the report is generated) of account holder health payment accounts for each specific coverage period.

Reconciliation by Batched EFTs Report

The Reconciliation by Batched EFTs Report provides information to reconcile bank statements and is generated on a weekly basis.

Enrollment Report

The Enrollment Report includes data on the account holders' annual elections and employer contributions.

Account Statement by Participant Report

The Account Statement by Participant Report includes account statements for all of an employer's participating employees for a chosen coverage period and specified date range.

Repayment Report

The Repayment Report shows all repayments that were created, scheduled, received, applied, and canceled for a specific time period.

If additional reports or reporting data are needed, employers can contact Kaiser Permanente Health Payment Services to submit a request.

The setup process

Time frame: Once an employer chooses the HRA administered through Kaiser Permanente, we can begin the setup process. During setup, the employer will receive all required forms and agreements that need to be signed. They'll also be guided on where and how to send eligibility and contribution files for the HRA. If the employer completes all the setup steps in a timely manner as specified in the setup process timeline, account holders can expect to receive welcome letters and, if applicable, health payment cards about 20 business days after Kaiser Permanente gets the required forms and agreements. Employers with a January 1 effective date can expect a time frame of 45 business days.

Required forms:

- Design Guide
- Administrative Services Agreement for Employment-Related Financial Account Programs
- Administration and Recordkeeping Services for Health Reimbursement Arrangements (HRAs)
- Administrative Fees Applicable to Health Reimbursement Arrangement (HRA) Accounts
- Business Associate Agreement
- ACH form

Stacked accounts

There are multiple options for stacking a flexible spending account (FSA) with an HRA. Account access and administrative fees would remain the same for most stacked FSA/HRA offerings. However, the account holder's experience would vary based on the account types chosen by the employer.

Account holder fund access**Medical expenses**

Pay to Provider: For most medical services received at Kaiser Permanente facilities, account holders will not be charged out of pocket when they check in. After the medical claim has been processed, it will be automatically submitted to the HRA. The account holder's cost share for qualified services will be paid to Kaiser Permanente from the HRA. If the HRA is unable to issue payment to Kaiser Permanente, it will issue payment to the account holder, who will be responsible for paying any cost-share bills received from Kaiser Permanente.

Pharmacy expenses are not eligible for Pay to Provider. See **Pharmacy expenses** for more information.

Automatic account holder reimbursement: For certain services, including visits to contracted or other non-Kaiser Permanente providers, account holders may be asked to make a payment at check-in. After the medical claim has been processed, a claim for HRA reimbursement will be automatically filed for the account holder. The filed claim amount will be equal to the total amount owed for the qualified services received, including any amount not covered by the payment made during the visit. The account holder will be responsible for paying any cost-share amounts still owed to Kaiser Permanente.

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Requesting reimbursement: Not all claims will be filed for automatic payment or reimbursement. Certain claims, including vision claims, will require the account holder to file a claim using the electronic or paper reimbursement option.

Electronic reimbursement: The KP Balance Tracker app and Health Payment Online Portal can be used to file a claim for reimbursement for qualified expenses. The Health Payment Online Portal is available through single sign-on access at kp.org.

- **Paper reimbursement:** Account holders can file a claim for reimbursement by mail or fax using a Reimbursement Request Form. This form can be downloaded from the Health Payment Online Portal or requested by calling Kaiser Permanente Health Payment Services.

Pharmacy expenses

For qualified pharmacy expenses, employers can make HRA funds available to account holders using one of these options:

Health payment card: Account holders will get a Kaiser Permanente health payment card, which works like a debit card. It's the most convenient way for employees to use their HRA funds to pay qualified expenses when they get care or a bill. If account holders pay out of pocket for pharmacy expenses, they have the option to request reimbursement from their HRA using the electronic or paper option.

Automatic reimbursement: Account holders will pay out of pocket for pharmacy services. After the pharmacy claim has been processed, a claim for HRA reimbursement will be automatically filed for the account holder. The filed claim amount will be equal to the total amount owed for the qualified services received, including any amount not covered by the payment made during the visit. The account holder will be responsible for paying any cost-share amounts still owed to Kaiser Permanente.

Electronic or paper reimbursement: Account holders will pay out of pocket for pharmacy services. After the visit, the account holder will need to file a claim to request reimbursement from their HRA. See **Electronic reimbursement** and **Paper reimbursement** for more information.

Account holder account management

Account holders will have many support resources available to them, including the Health Payment Online Portal, where they can manage their HRA online, and the KP Balance Tracker app, which allows them to manage their HRA from their mobile device.

They also have 24/7 access to a bilingual IVR phone line where they can check their account balance, and the support of a dedicated team of specialists at Kaiser Permanente Health Payment Services. Kaiser Permanente also offers a variety of educational and support tools to help employees understand and use both their health plan and their HRA. Employers can contact their Kaiser Permanente representative to discuss a communication plan.

Employees whose Kaiser Permanente health plan coverage terminates

Employees whose Kaiser Permanente health plan coverage associated with the HRA terminates will lose single sign-on access to their HRA through kp.org and kp.org/healthpayment within 90 days after termination. The monthly administrative fee will continue to be billed for employees no longer enrolled in the Kaiser Permanente health plan throughout the run-out period (see **Run-out period**). And approved HRA claims filed before the end of the run-out period will continue to be funded from the employer's account.

COBRA

If the employer chooses to extend HRA eligibility to COBRA participants, single sign-on access will remain available. In that case, the employer will continue to be billed the monthly administrative fee for as long as the terminated employee participates in COBRA.