



Dear Employer,

As employers search for that “silver bullet” to reduce their growing healthcare costs, many are turning to high deductible health plans (HDHP). Why? Because health plans with higher deductibles mean lower premiums and savings for you. But for employees, it means more out-of-pocket expenses.

To help take some of the sting out of higher deductibles, many employers are coupling their employer-sponsored health plan with a “Health Reimbursement Arrangement” (HRA) account to pay a portion of the expenses the employee must incur before meeting their deductible. (Employers do not pay FICA taxes on the dollars employees use from the employer-allocated dollars in the HRA, and employees are not taxed on the dollars they use in their HRA. Everyone saves!)

**Here’s how a health reimbursement account works with your health plan.**

1. Select a high deductible health plan that’s best for your group.
2. Decide how much you wish to allocate into a health reimbursement account for each employee. You can choose the same amount for everyone or more for families. The choice is yours.
3. Design an HRA that is best for you. You can design a health reimbursement account that pays only prescriptions and/or medical expenses that are subject to the deductible, or you can choose a more comprehensive plan that pays for items like over-the-counter drugs, contact lenses, orthodontics, prescribed weight loss and smoking cessation programs, etc. Again, the choice is yours!

Some employees may need more than what you choose to allocate in an HRA to cover healthcare expenses. You can help employees further by allowing them to make regular pre-tax payroll deductions into a separate account called a health Flexible Spending Account (FSA). Employee contributions to an FSA mean additional tax savings for you and your employees!

**Questions to guide you in designing a plan that’s best for you and your employees:**

- How much should I allocate for each employee and their family?
- Do I want to maximize my savings by limiting the expenses paid from the HRA to:
  - Medical expenses that fall below the deductible?
  - Or, medical expenses that fall below the deductible, but only after the employee pays a portion?
  - Medical expenses at in-network providers?
- Do I want to reimburse providers directly?
- Would I like to recoup any HRA allocations that employees don’t use during the year, or allow employees to accumulate unused allocations from year-to-year?
- Do I want my employees to elect to make pre-tax contributions to a Health FSA to pay for items that their health plan does not cover? (Items like over-the-counter drugs, eyeglasses, contact lenses, orthodontics, etc.)

The **take care® HRAs** are administered by take care by WageWorks, an independent plan administrator that will provide plan services for you in connection with the design and administration of your HRA.

Our plan consultants are available to work with you to create a plan design that will meet your objectives.

Please feel free to call us to discuss your questions. Our toll-free number is 877-887-6680.



A nonprofit corporation and independent licensee  
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# Health Reimbursement Arrangement Options

There are two **take care**® Health Reimbursement Arrangement (HRA) options:

1) **take care**® *Select*™ and 2) **take care**® *Total*™. Both work alongside your high deductible health plan.

## take care® *Select*™ HRA

With the **take care** *Select* HRA your employees can pay for a portion of their healthcare services that fall below the deductible.

### How the take care *Select* HRA works

When you allocate money to a **take care** *Select* HRA for an employee, you select which expenses it will cover<sup>1</sup>. For instance, you may want the allocations in the HRA to pay only prescription and/or medical expenses that are subject to the deductible in your health plan. You decide on the amount you want to allocate for each employee or family.

### How employees use the take care *Select* HRA

- ✓ **Prescription medications.** Employees and their dependents will receive a **take care** Prescription Benefit card to pay prescribed medicine co-payments. This is an IRS-approved Visa® card that is limited to purchasing only prescribed medicines at over 35,000 IRS-compliant retail locations across the country. The card will only access funds contributed by the employer and not allow the purchase of other items sold at these retailers. *At the employer's option, the card may be programmed to pay for over-the-counter medicines in addition to prescriptions.*
- ✓ **Employee responsibility for the medical deductible.** After an employee sees a medical provider, Blue Cross Blue Shield of Michigan sends a copy of the Explanation of Benefits (EOB) to the employee and a copy to WageWorks. If the EOB includes amounts that fall under the deductible, and if a balance is available in the HRA, WageWorks will send a payment for the deductible amount. Payment can be made to the employee or, at the group's option, to the medical provider.



## take care® *Total*™ HRA

With the **take care** *Total* HRA your employees can pay for a portion of their healthcare services that their health plan does not pay.

### How the take care *Total* HRA works

When you allocate money to a **take care** *Total* HRA for employees, it is available to pay for **all** qualified healthcare services that your health plan does not cover. So, when an employee needs to pay for items like co-pays, prescriptions, over-the-counter medicines, doctor visits, checkups, dental and vision services, and elective services like braces for the kids or laser eye surgery, the money is available. You will decide on the amount you want to allocate for each employee or family.

### How employees use the take care *Total* HRA

1. **The take care® card – it's the easiest way to pay.** This special Visa® card is the most convenient way for employees to use the money in their **take care** *Total* HRA.
  - ✓ To purchase prescriptions and over-the-counter medicines. At 35,000 IRS-compliant retail locations, including drug stores, grocers, and superstores, the **take care** card automatically knows which items are IRS qualified and will only pay for prescriptions and over-the-counter medicines. The card will not pay for other items sold at these retailers.
  - ✓ At doctors, dentists, hospitals, vision centers, and medical equipment suppliers. The **take care** card is accepted at healthcare providers to pay for services and supplies. Since these providers may also provide services that are not qualified under IRS guidelines (i.e. teeth bleaching, cosmetic surgery, and non-prescription sunglasses), your employee may be asked to submit copies of receipts and invoices for further verification.
2. **Pay Me Back.** When employees don't use the card to pay qualified expenses, they can file a claim to request a reimbursement from their **Total** HRA. Employees will go online to complete a claim form and then submit receipts to WageWorks for approval. Claim forms are reviewed daily. Once approved, reimbursements will be sent to employees by check or direct deposit.



<sup>1</sup> Employer allocations fall under rules pertaining to IRC §105 Health Reimbursement Arrangements.

# HRA Options (cont.)

## Employees may need more than what's allocated in an HRA to cover healthcare expenses.

You can designate a maximum amount that each employee may voluntarily elect to set aside through pre-tax payroll deductions to a health Flexible Spending Account<sup>2</sup> (FSA) to pay healthcare expenses that are not reimbursed by your health plan or not paid from what you've allocated to their HRA.

**Employee FSA dollars cover IRS qualified medical expenses including, but not limited to,** vision, dental, and over-the-counter medications, routine services and corrective items like orthodontics, eyeglasses, contact lenses, and laser eye surgery. Your employee is responsible to pay providers. They can use the **take care**<sup>®</sup> flex benefits card to pay qualified FSA expenses or file a claim with WageWorks<sup>3</sup> and they will be reimbursed for qualified expenses by check or direct deposit.

## Flexibility for you and your employees

Whether you're allocating dollars to an HRA for employees and/or employees are making voluntary pre-tax contributions to an FSA, the IRS has established very flexible rules that enable you to design a plan that is best for you and your employees.

- ✓ You decide how much you want to allocate to an HRA for employees and how much, if any, employees can contribute to an FSA. The IRS sets no dollar limits on annual contributions made by employers or employees; the employer makes those decisions.
- ✓ Employer allocations to the HRA that are **used** are tax deductible. Employee contributions to an FSA are made through voluntary pre-tax payroll deductions.
- ✓ Employer allocations to an HRA are accounted for separately from voluntary employee contributions to an FSA.
- ✓ The money that is paid out for qualified medical expenses is tax free to employees.
- ✓ Unused **employer** HRA allocations will expire at the end of the plan year, unless you choose to roll them forward and make them available to pay expenses incurred in the following year. For example, to encourage employees to plan ahead and use the money wisely, you might designate that a portion of the unused employer allocation (say 50%) roll forward to the next year. There is no IRS requirement, however, to roll forward any portion of your contribution.
- ✓ Unused employee contributions to the FSA can be used for expenses incurred up to 75 days after the plan year end. This is an IRS option that you select and one that employees will appreciate.

<sup>2</sup>Employee voluntary elections fall under IRC §125 Flexible Spending Accounts.

<sup>3</sup>take care<sup>®</sup> FSA plans are administered and serviced by WageWorks, Inc. .

# How to Get Started

Simply complete the **take care**® Account Application and we take care of the rest.

## take care® account plan services by WageWorks

Plan setup and ongoing administration is easy with our turnkey service

- **Plan Consulting.** Upon receiving your application, a plan specialist will contact you about plan options.
- **Plan Setup.** The setup kit includes "signature-ready" custom plan documents and forms, and a checklist for plan implementation. For existing plans, the service also includes a new updated plan document.
- **Employee Account Management.** Contributions are collected for each pay period and credited to employees' account balances. Daily services include account balance tracking, claims adjudication, and expense payment by check or direct deposit. A flex benefit card payment option is also available at no additional charge.
- **Participant Assistance.** Employees have 24-hour access to their accounts: online, through a toll-free interactive voice response line, and daytime access to our toll-free call center. Employee statements are included on claim payment stubs, on demand, and online.
- **Annual Plan Compliance.** Services include reconciliation and reporting of employee account balances, plus compliance with discrimination testing requirements. A "signature-ready" IRS Form 5500 and any plan amendments are provided, if necessary.

## The service provider

**take care by WageWorks – Your Total Flexible Benefits Solution.**

As a leader in flexible benefits and consumer-driven health, we are dedicated to empowering employers and individuals to get the most from their flexible benefits program. That's because of our...

**Experience... Innovative technology... Industry Leadership**

take care by WageWorks has provided flexible benefits technology and support systems for over two decades.

For over twenty years, we've provided turnkey flex administration for thousands of groups. So when you talk with the more than 1,000 third-party administrators or the 35 insurance carriers who have partnered with us, they'll tell you the same thing: "you can count on take care by WageWorks."



**take care**®  
by WageWorks

Questions: 877-887-6680

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# take care<sup>®</sup> Account Application



## Important choices for your take care<sup>®</sup> accounts

- How much would you like to allocate for each employee during the year to an HRA?  
Employee only \$  Family \$  Other \$
- Would you like to make the entire annual employer HRA allocation available on the first day of the year, or monthly?  
 First day of the year  Monthly, pro-rata  Other
- Some employees may need to budget more in a healthcare take care account than you choose to allocate from employer funds. What annual dollar limit do you want to set for employees that wish to make voluntary pre-tax payroll deductions to an FSA account? \$
- Funds allocated by employers to an HRA account will be accounted for separately from voluntary employee FSA contributions. You can also restrict employer allocations to pay certain types of expenses.\* For example, you can set-up the employer allocation so it will only pay for prescriptions, co-pays, and the health plan's deductible expenses, while items like over-the-counter medicines and supplies, contact lenses, eyeglasses, laser surgery, orthodontics or prescribed health-improvement programs would be paid from the dollars employees elect through voluntary pre-tax payroll deductions.

You can also choose which account will be first to pay certain types of expenses. For example, you may want employee FSA funds to start paying pharmacy expenses only after employer HRA allocations are completely used.

Healthcare Expenses (check <input checked="" type="checkbox"/> your choices)	Pay from employer dollars	If employees contribute to an FSA, which account pays this expense first?
Prescriptions	Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> Employer <input type="checkbox"/> Employee
Medical expenses subject to the deductible of your health plan	Yes <input type="checkbox"/> Options (select 1, all or none of the following) <input type="checkbox"/> Only after the employee pays first \$ _____ (single) \$ _____ (family) <input type="checkbox"/> Only "in-network" expenses <input type="checkbox"/> "Pay provider" directly No <input type="checkbox"/>	<input type="checkbox"/> Employer <input type="checkbox"/> Employee
Over-the-counter medicines and supplies	Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> Employer <input type="checkbox"/> Employee
Other IRS qualified medical, dental, vision fees, and healthcare products	Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> Employer <input type="checkbox"/> Employee

- Unused *employer* HRA allocations will expire at the end of the plan year unless you choose to roll them forward. For example, to encourage employees to plan ahead and budget wisely, you might designate that a portion of the unused accumulated employer allocation (say 50%) roll forward to the next year. However, there is no IRS requirement to roll forward any portion of the employer contribution that is not used. Will unused employer contributions be carried over to the next year and be available for expenses incurred in the following year?  
 Yes  No If yes, what percent?  % up to a maximum amount of \$  or  unlimited?
- Unused *employee* FSA contributions can be used for expenses incurred within 75 days after the plan year end. This is an IRS option that you select and one that employees will appreciate. Will unused employee contributions be carried over to the next year and be available for expenses incurred within 75 days after the plan year end?  Yes  No

For a FREE consultation call 877-887-6680



Phone: 877-887-6680  
 Fax: 866-672-3682  
 E-mail: [FlexHelp@takecareWageWorks.com](mailto:FlexHelp@takecareWageWorks.com)  
[www.takecareplans.com/bcbasm](http://www.takecareplans.com/bcbasm)

\* Please consult with a take care by WageWorks representative to determine plan-type customization availability.

# take care® Account Application



## Required information about your group

1. Legal Name of Company Sponsoring Plan \_\_\_\_\_
2. Business Entity Type  C Corporation  Sole Proprietorship  Partnership  Not-For-Profit  
 S Corporation  Limited Liability Company  Government Entity or Church
3. Legal Name(s) of Affiliated Company(ies) that will be covered by this Plan: \_\_\_\_\_  
\_\_\_\_\_
4. Principal Business Activity \_\_\_\_\_
5. Federal Employer Identification Number (Must be 9 digits.)   —
6. Primary Contact Person \_\_\_\_\_ Title \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail \_\_\_\_\_  
Secondary Contact Person \_\_\_\_\_ Title \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail \_\_\_\_\_
7. Address (No PO Boxes) \_\_\_\_\_ City/ST/Zip \_\_\_\_\_
8. Effective date of Healthcare Account Plan(s)  
A.  A new plan effective as of (date) \_\_\_\_\_ B.  Plan year end \_\_\_\_\_  
C. Select plan type to be administered (check only one box). *Note: If both an HRA and FSA are administered, fees quoted include both plans.*  
 take care® Select™ HRA  take care® Select™ HRA and FSA  
*Limit Select HRA medical payments (select 1, all or none of the following):*  
 After the employee pays first \$  Family \$   
 "In-network" expenses  "Pay provider" directly  
 take care® Total™ HRA  take care® Total™ HRA and FSA  take care® FSA only  
D.  An amendment and restatement of a previously established HRA and/or FSA plan of the employer.  
(1) This amendment and restatement is effective as of (date) \_\_\_\_\_  
(2) Effective date of the original plan \_\_\_\_\_  
(3) Plan number (consult last Form 5500, if filing was required) \_\_\_\_\_
9. Employer's Principal Office – This plan shall be governed under the laws of the  State  Commonwealth of \_\_\_\_\_
10. Total Number of Employees \_\_\_\_\_
11. Payroll is Prepared  In-house  Outsourced (specify payroll company) \_\_\_\_\_

## Pricing and delivery

12. Fee for Participant Services: \$4.95 per month/participant – includes flex benefit card.
13. Fee for Annual Plan Compliance: \$45 per month.
14. Enrollment Kit is shipped UPS Ground within five business days of receiving completed application.

## To be completed by referral source

Name of Referral Source \_\_\_\_\_ Affiliated Company \_\_\_\_\_  
Address (No PO Boxes): \_\_\_\_\_ City/ST/Zip \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail \_\_\_\_\_

For internal use Rep. # \_\_\_\_\_ Client # \_\_\_\_\_ Lead Source: BCBSM

BCBSM-HRAAPP0110

**Complete this page and FAX it  
along with Page 1 of 2 to 866-672-3682  
Questions? Call 1-877-887-6680**

**take care®**  
by WageWorks

# Important Information about take care<sup>®</sup> Plans

## Plan requirements

- Your group can start a [take care](#) account at any time. Plus, you can have a short coverage period to coordinate with other benefits.
- The plans must be in writing and a Summary Plan Description must be distributed to each plan participant.
- The plan may not discriminate in favor of highly compensated employees.
- The plan may but is not required to cover terminated or retired employees.
- COBRA continuation must be offered to HRA and FSA participants who experience a qualifying event.
- Generally, employers maintaining HRA and/or FSA plans that cover more than 100 participants must file an IRS Form 5500 each year.
- Certain owners may not participate as employees in the [take care](#) plans. These would include sole proprietors, partners in partnerships, LLC members, or 2% shareowners in an S-Corp. As an alternative, these individuals may qualify to establish an individual Health Savings Account (HSA).

## Funding and paying expenses with take care accounts

- HRA accounts can cover all qualified expenses not covered by a health plan or they can be restricted to cover only certain benefits like prescriptions or co-pays and health plan deductibles. This is a plan design feature the employer must select.
- If you select “*Pay My Provider*” plan option, reimbursements from the HRA for medical and surgical expenses will be sent directly to the healthcare provider. This insures the healthcare provider is paid and that the employee is not receiving and “banking” the HRA dollars. If you choose this plan option, it applies across the board to all plan participants and cannot be revoked by a plan participant.
- If you select “*Member Pay First*” the portion of the deductible that the employee is responsible for paying is tracked/accounted for by Blue Cross Blue Shield of Michigan. Once the *Member Pay First* dollars are met, then the employer HRA dollars will be disbursed for qualified expenses.
- Employers are required to pay eligible healthcare expenses only to the extent of an *individual’s* FSA election.
- Eligible expenses must be incurred during the participant’s period of coverage, but may be paid at a future date. This is a plan design feature.
- The HRA and/or FSA cannot be “cashed out” upon an employee’s termination or retirement.

## Insurance premiums and take care accounts

- Health plan premiums may be paid from HRA and/or FSA accounts. This is an optional design feature and is not required. However, insurance with a return-of-premium feature cannot be paid from an HRA or FSA account.
- Long-term care premiums and long-term care expenses can be paid from employer allocations to an HRA. This is an optional design feature and is not required. This option is not available for employee FSA contributions.
- Life insurance premiums cannot be paid from an HRA or FSA account.
- Disability premiums can be paid from an employer allocation to an HRA account although most tax advisors recommend against it due to the adverse tax consequences.

<sup>†</sup> Employer allocations fall under rules pertaining to IRC §105 Health Reimbursement Arrangements and employee elections fall under IRC §125 Flexible Spending Accounts.