



# *Benefits Briefing*

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## ***Editor's Note***

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In an effort to keep you informed of regulation issues and new developments, we will be sending quarterly issues of our newsletter, Benefits Briefing. If there are HR contacts at your company who would benefit from this, please give us their names and email addresses, and we will add them to the distribution list.

## **Health Reimbursement Arrangements (HRAs)**

On June 26, 2002 the Treasury Department and Internal Revenue Service issued guidance clarifying the tax treatment of plans maintained by some employers now known as “Health Reimbursement Arrangements or HRAs”. The guidance consists of Notice 2002-45 and Revenue Ruling 2002-41.

In response to the compounding double digit increases in the cost of medical plans, a growing number of employers have been designing new medical plan options, sometimes referred to as Consumer Driven Health Plans or Patient Directed Health Care, that include higher deductibles and cost sharing coupled with an HRA. While “the jury is still out” on the cost effectiveness of these plans, they are becoming popular enough to cause Treasury and IRS to clarify their position on them.

HRAs are similar to Health Care Reimbursement Accounts or FSAs, but different.

The HRA **must**:

- Be entirely employer funded
- Pay only for substantiated section 213 medical expenses

And **may allow for**:

- Carryover of unused amounts to future years
- Reimbursement of employees, including retirees, for health insurance premiums – including COBRA and Long Term Care Insurance
- Continued access of funds by former employees and retirees

The guidance gives employers significant latitude in plan design. As well as being offered along with high deductible medical plans, we have had inquiries about establishing plans for part time employees not eligible for regular benefits, accounts for funding post retirement medical benefits for retirees not eligible to continue in the employer sponsored medical plans, and alternatives to a contractual, annual, taxable “medical expense bonus” for a union group with a high deductible.

At Tri-Star, we are prepared to both administer HRAs and consult on plan design. A good resource for additional information on HRAs is <http://www.hrhelper.com/>, sponsored by the Employers Council on Flexible Compensation (ECFC).

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## HIPAA EDI Compliance Extension Deadline Looming

Under HIPAA's administrative simplification provisions, "covered entities" (this term includes health plans, most health care providers, and health care clearinghouses) are required to comply with three primary mandates: transactions and code sets (referred to as electronic data interchange or EDI), privacy, and security.

The EDI provisions require "covered entities" that process certain types of transactions electronically to use standardized formats and code sets. The compliance date for these requirements was initially October 16, 2002 (October 16, 2003 for small health plans). However, the compliance date may be extended by one year by the Administrative Simplification Compliance Act if certain provisions are met.

At Tri-Star, we plan to be compliant by October 16<sup>th</sup>, but are not confident all of the employers and insurers we interface with will be. So, at the recommendation of most attorneys and consultants, we plan to file for the extension. If you are a "covered entity", we recommend you consider filing for the extension.

In order to qualify for this one year extension, a "covered entity" must submit a plan for how it will comply with the transaction and code set requirements by October 16, 2003. **This plan must be submitted to the Department of Health and Human Services (DHHS) on or before October 15, 2002.** Instructions and a form to file for this extension are available at <http://www.cms.gov/hipaa/hipaa2/ASCAForm.asp>. The form can either be sent via mail or filled out online and filed electronically at this site. If the covered entity will be in compliance by the original compliance date, the application for extension does not have to be submitted.

Privacy issues, effective April 2003, will be covered in the next issue. Security provisions will become effective 2 years after final regulations are issued.

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## Online Enrollment

Tri-Star is proud to offer a new option for those employers for whom we provide annual enrollment services for. Effective for plan years beginning January, 1, 2003, Tri-Star will be offering online enrollment services. Although all employees should be encouraged to enroll online, paper based enrollment will still be offered as an alternative.

Each employee will be given the web address to enroll at, as well as their own password. After the employee has logged onto the site, there will be links to modify address and dependent information, and to change benefits. The benefits link will show all the options available, “price tags” for each, and will allow the employee to make any changes to the benefits for the upcoming plan year. Beneficiary information will also be asked for. After making any changes, the employee will have the opportunity to print out a confirmation statement for their records showing the benefit options they elected and per pay period costs for these benefits. For each employer, the site will only be “open” for a specified enrollment period. Contact Ken Dixon ([ken.dixon@tri-starsystems.com](mailto:ken.dixon@tri-starsystems.com)) for further information and a demo.

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## Direct Deposit

Just a reminder that Tri-Star offers direct deposit of Dependent Care and Health Care reimbursements. Instead of receiving a check via the mail, the amount will be deposited in the employee’s account (checking or savings) 48 hours after the processing date. If this option is selected, the employee will also have the opportunity to receive the Explanation of Benefits that appears on the bottom of each check via e-mail if they provide us with an e-mail address. Enrollment in this option is easy—it only involves completion of a Direct Deposit authorization (available at [http://www.tri-starsystems.com/Forms/Direct Deposi Form Manual.pdf](http://www.tri-starsystems.com/Forms/Direct%20Deposi%20Form%20Manual.pdf)) sent in with a copy of a cancelled check (for deposit into a checking account) or savings deposit form (for deposit into a savings account). Please contact us for more information on setting this option up for your employees.

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- HIPAA Privacy
- HR Internet Access

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## Contact Us

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