



Your Health. Take Charge.



## HRA... Healthcare FSA...What's the difference and how can they work together to benefit you?

A key component and benefit of Sandia Total Health is the **Health Reimbursement Account (HRA)**, which you can use to pay your deductible and your share of eligible medical and prescription drug expenses.

The HRA shares some similarities with the **Healthcare Flexible Spending Account (FSA)** that Sandia already offers. It's important to understand these similarities, and the differences, because **you can use both** the HRA and the Healthcare FSA to help pay your health expenses.

We've provided the following information to help you understand the differences between the two accounts. The [examples](#) on pages 3 and 4 illustrate how they might work together to benefit you.



## HRA vs. Healthcare FSA: Key Differences

These are the key differences between the HRA and the Healthcare FSA.

	HRA	Healthcare FSA
<b>Eligibility and Enrollment</b>	To participate, you must enroll in Sandia Total Health and complete your biometric screening and the Health Assessment by the deadline. Outside of enrolling in Sandia Total Health, there isn't a separate enrollment process for the HRA.	You may enroll in an FSA regardless of which healthcare plan you choose. You must enroll during Open Enrollment. However, you may be eligible to enroll during the year, based on an eligible life event.
<b>Funding</b>	You earn your portion of Sandia's annual HRA contribution (\$250) by meeting the criteria listed above. The portion of the contribution for your dependents does not require any action. The amount Sandia contributes is based on the coverage tier you elect and is not considered taxable income: <ul style="list-style-type: none"> <li>• \$250 for Employee-Only</li> <li>• \$500 for Employee + Spouse or Child(ren)</li> <li>• \$750 for Employee + Spouse and Child(ren)</li> </ul> If you do not complete your health screening and the Health Assessment, Sandia will contribute \$250 less to your HRA than if you complete your biometric screening and the Health Assessment.	You fund your FSA each paycheck with <i>pre-tax</i> dollars. That means no federal, state, Social Security, or Medicare taxes are withheld. You can set aside a minimum of \$100 and a maximum of \$5,000 per year. It's important to carefully estimate your contribution amount, since you'll lose any funds you don't spend by the end of the plan year.
<b>Eligible Expenses</b>	You can use the money in your HRA to pay your share of eligible medical and prescription drug expenses, such as the deductible and coinsurance.	You can use the money in your FSA to pay for eligible healthcare expenses, such as medical, dental, vision, prescription drug, and over-the-counter medication expenses.
<b>Claims Reimbursement*</b>	Medical claims will be filed automatically as follows: <ul style="list-style-type: none"> <li>• First, your healthcare provider will file a medical claim for any medical services you receive through the UHC network.</li> <li>• Second, if the service requires that you pay the deductible or coinsurance, UHC will look to see if you have funds in your HRA. If you do, UHC will pull your share of the cost of the service from your HRA and pay the provider directly.</li> <li>• Third, if there's a balance due, FSA funds will be used, up to available funds, if you set up an account. (See FSA Claims Reimbursement)</li> <li>• Fourth, you'll receive a monthly health statement explaining how much to pay the provider.</li> </ul> You'll also receive a debit card to use for providers who demand payment at the time of service, or for eligible prescription drug expenses at the pharmacy.**	Eligible FSA claims will be filed as follows: <ul style="list-style-type: none"> <li>• First, medical claims that are submitted automatically may pull funds from your FSA and pay the provider directly, <i>after</i> the HRA funds are exhausted.</li> <li>• Second, you'll receive a debit card to use for eligible expenses.**</li> <li>• Third, you may submit a claim manually; just log on to <a href="http://www.myuhc.com">www.myuhc.com</a> to find the manual-reimbursement claim forms and instructions.</li> </ul>
<b>Unused Account Balances</b>	Balances left in your HRA at the end of the year will roll over to your HRA for the next year (up to a maximum of 5 times Sandia's annual contribution amount).	All claims and supporting documentation must be filed by April 15 of the following calendar year. Money left in the account does not roll over to the next plan year; you will lose this money.

\* All Sandia Total Health enrollees will be provided a new user packet with instructions on using the accounts, eligible expenses, direct deposit setup, and claim filing. Claims processed automatically will be paid to the provider directly unless you have turned off the automatic feature or have already paid the provider. If you have already paid the provider, you'll receive the reimbursement by check or direct deposit as selected. Members can deactivate the automated claim process, set up direct deposit, obtain claim filing forms, and view their account by logging on to [www.myuhc.com](http://www.myuhc.com).

\*\* Not all pharmacies can accept debit cards. For a listing of participating pharmacies, go to the *Take Charge* website at <http://hbe.sandia.gov> and click the "Tools and Resources" link. If the pharmacy you use does not participate, you should pay for your purchases directly. Prescription items billed through the pharmacy will automatically be submitted for reimbursement.

# How the HRA and Healthcare FSA Work Together to Save You Money

## Example: Bob (Employee-Only coverage)

Bob is a single employee who contributes \$900 to a Healthcare FSA each year. Bob enrolls in Sandia Total Health for 2010 (employee-only coverage) and completes the biometric screening and Health Assessment by December 31, 2009. Sandia contributes \$250 to Bob's HRA. Bob has the following medical expenses during 2010:

	Actual Cost of Service		Bob's Out-of-Pocket Cost	
	Covered Services	Non-Covered Services	Covered Services	Non-Covered Services
Annual Physical	\$ 210		\$ 0	
Primary Care Physician Office Visits (6 visits)	\$ 480		\$ 480	
Specialist Office Visit (1 visit)	\$ 250		\$ 250	
Preferred Brand Drug Prescription (6 retail fills)	\$ 360		\$ 108	
Generic Drug Prescription (12 retail fills)	\$ 420		\$ 84	
Various OTC* Drugs/Supplies		\$ 240*		\$ 240*
<b>Cost for Services</b>	\$ 1,720	\$ 240	\$ 922	\$ 240
<b>Total Cost</b>	<b>\$1,960</b> (\$1,720 + \$240)		<b>\$1,162</b> (\$922 + \$240)	

\* Over-the-counter drugs and medical supplies are not covered by any of Sandia's healthcare plans.

## Here's how the HRA and Healthcare FSA would work together to benefit Bob:

**First:** Bob's total out-of-pocket costs for covered services will be reduced first by Sandia's HRA contribution.

Total out-of-pocket costs for covered services	\$ 922
- HRA contribution	- \$ 250
= Remaining out-of-pocket costs for covered services	\$ 672

**Then:** The remaining expenses, including his eligible over-the-counter drugs and medical supplies, can be reimbursed through his Healthcare FSA.

Remaining out-of-pocket costs for covered services	\$ 672
+ OTC drug/supplies	+ \$ 240
- FSA contributions	- \$ 900
= Total remaining out-of-pocket costs	\$ 12

**Between the HRA and Healthcare FSA reimbursements, all but \$12 in expenses is paid. In addition, Bob's FSA contributions reduce his taxable income. Assuming Bob has a marginal tax rate of 15%, he saves \$135 in taxes (15% x \$900 = \$135) by contributing \$900 to his Healthcare FSA.**

## Example: Jill (Employee + Spouse and Child(ren) coverage)

Jill is an employee who covers her spouse and children, and contributes \$3,000 to a Healthcare FSA each year. Jill enrolls in Sandia Total Health for 2010 (employee + spouse and child(ren) coverage) and completes the biometric screening and Health Assessment by December 31, 2009. Sandia contributes \$750 to Jill's HRA. Jill and her family have the following medical expenses during 2010:

	Actual Cost of Service		Jill's Out-of-Pocket Cost	
	Covered Services	Non-Covered Services	Covered Services	Non-Covered Services
Annual Physical	\$ 210		\$ 0	
Spouse Physical	\$ 210		\$ 0	
Primary Care Physician Office Visits (10 visits)	\$ 800		\$ 800	
Specialist Office Visit (3 visits)	\$ 750		\$ 750	
Preferred Brand Drug Prescription (12 retail fills)	\$ 720		\$ 216	
Generic Drug Prescription (24 retail fills)	\$ 840		\$ 168	
Various OTC* Drugs/Supplies		\$ 600*		\$ 600*
Lasik Surgery*		\$ 1,500*		\$ 1,500*
<b>Cost for Services</b>	\$ 3,530	\$ 2,100	\$ 1,934	\$ 2,100
<b>Total Cost</b>		<b>\$5,630</b> (\$3,530 + \$2,100)	<b>\$4,034</b> (\$1,934 + \$2,100)	

\* Over-the-counter drugs and medical supplies are not covered by any of Sandia's healthcare plans.

### Here's how the HRA and Healthcare FSA would work together to benefit Jill:

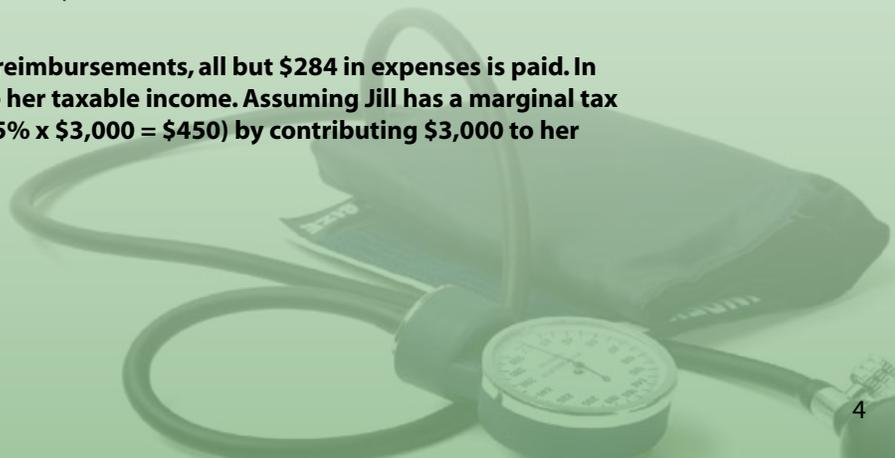
**First:** Jill's total out-of-pocket costs for covered services will be reduced first by Sandia's HRA contribution.

Total out-of-pocket costs for covered services	\$1,934
- HRA contribution	- \$ 750
= Remaining out-of-pocket costs for covered services	\$ 1,184

**Then:** The remaining expenses, including her eligible over-the-counter drugs, medical supplies, and Lasik surgery, can be reimbursed through her Healthcare FSA.

Remaining out-of-pocket costs for covered services	\$1,184
+ OTC drug/supplies/Lasik surgery	+ \$2,100
- FSA contributions	- \$3,000
= Total remaining out-of-pocket costs	\$ 284

**Between the HRA and Healthcare FSA reimbursements, all but \$284 in expenses is paid. In addition, her FSA contributions reduce her taxable income. Assuming Jill has a marginal tax rate of 15%, she saves \$450 in taxes (15% x \$3,000 = \$450) by contributing \$3,000 to her Healthcare FSA.**



## Learn More About the HRA and Healthcare FSA

You have access to the following resources for more information on the HRA and Healthcare FSA:

- *Your Health. Take Charge.* educational newsletters (sent to you and posted on the *Take Charge* website)
- An interactive presentation all about Sandia Total Health (available on the *Take Charge* website)
- A Sandia Total Health Toolkit (available on the *Take Charge* website)

Be sure to periodically visit the *Take Charge* site for updated information and links to tools.



Sandia Corporation's benefit plans are maintained at the discretion of Sandia. They do not create a contract of employment. The plans may be suspended, modified, or discontinued at any time and without prior notice, subject to applicable collective bargaining agreements and except as otherwise provided by applicable law.

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