



Health Reimbursement Account (HRA)

For former participants in the Personal Healthcare Fund

A Health Reimbursement Account (HRA) is a tax-advantaged health savings plan funded and wholly-owned by your employer, and administered by the Michigan Office of Retirement Services (ORS), to help you pay for eligible healthcare expenses incurred after retirement. HRA rules do not allow you to contribute. Funds are deposited into a noninterest-bearing account for you when you terminate employment. You are not subject to income or employment taxes on either the HRA funds or on the reimbursement amounts of any eligible healthcare expenses received by you from the HRA. Unused funds may be carried forward for reimbursement in future years. To learn more, go to www.irs.gov/pub/irs-pdf/p969.pdf.

Who's Eligible?

Only former participants in the Personal Healthcare Fund (PHF) who have a bona fide termination of employment are eligible for an HRA. ORS will determine your eligibility based on your age, service credit, and any other requirements specific to your retirement system. You will be notified in writing if you qualify for an HRA, and the value.

Can the HRA reimburse me for the eligible healthcare expenses incurred by my dependents, too?

Yes. Once you have terminated employment and your HRA has been funded, you, your spouse, and your dependent children are eligible to receive benefits from the account. Expenses for a spouse must be incurred while still married to you. Expenses for a child are only allowed if the child generally qualifies as your dependent under IRC Section 152 and is age 26 or younger at the end of the tax year (certain exceptions apply).

What happens to my HRA after I die?

If there are any funds remaining in the account after you die, your surviving spouse and/or eligible dependent(s) may still use the HRA to pay for their eligible healthcare expenses. These benefits end when your spouse remarries or dies and when your dependent(s) cease to qualify as your spouse's dependent under IRC Section 152.

If you die with no eligible dependents and funds on account, your estate or representatives may submit claims for eligible expenses incurred by you before your death, as long as the claims are submitted no later than 180 days after your death. Any remaining funds are forfeited. Under no circumstances will you or your survivors have the right, currently or in future years, to receive cash or any taxable or nontaxable benefit other than reimbursement of eligible healthcare expenses that are incurred while you (or your survivors) are actively covered by the plan. Your survivor should contact the Michigan Office of Retirement Services (ORS) upon your death. We will ask for your social security number so we can transfer your account to your eligible survivor, if any, or process final claims for your estate.

How long will my HRA last?

Your HRA account will remain open until:

- your funds are depleted.
- the account has been inactive for more than 3 years.
- you die with no surviving spouse or eligible dependents.

Knowingly falsifying information or submitting a fraudulent HRA claim form can result in the termination of your account and the forfeiture of any account balance. The State of Michigan retains the right to modify or terminate the plan at any time for any reason, consistent with law. Any changes will be directly communicated to all account holders.

How much reimbursement can I request?

You can request reimbursement for the full value of the eligible expense, as long as it doesn't exceed the balance of your account. The minimum reimbursement paid will be \$50 or the balance of your account, whichever is less. You may need to combine multiple expenses on the same claim form to reach the minimum required for ORS to release a payment. Requests for reimbursements for travel expenses must be submitted on the same claim form as the service or product you traveled to receive or purchase.

How do I submit a claim?

After incurring \$50 or more of eligible healthcare expenses, complete the *HRA Claim Form (R1042G)* from ORS's website, attach appropriate proof of service and mail to ORS. For more information, visit www.michigan.gov/orsstatedc and click on

Forms, or contact an ORS customer service representative via the ORS Message Board at www.michigan.gov/miaccount or call 517-284-4400 (Lansing area) or 800-381-5111 (outside of Lansing).

What eligible healthcare expenses are covered?

Eligible healthcare expenses are those that qualify for deductible expenses for medical care under IRS Code Section 213(d) (see partial listing below); have not or will not be reimbursed by another source; will not be itemized on your income tax return; and have been incurred while you are a participant in the HRA plan.

Below is a partial list of eligible healthcare expenses. For a detailed list, see *IRS Publication 502, Medical and Dental Expenses*.

Medical Expenses:

Acupuncture
Alcohol and drug treatment programs
Ambulance services
Arthritis treatment (as prescribed by a physician)
Braces, crutches, and splints
Chiropractic care
Diabetic supplies, insulin
Diagnostic devices
First-aid kits
Health care copays, deductibles, and coinsurance expenses
Hearing aids and batteries
Hospital services
Laboratory fees
Nursing home expenses
Nursing care
Over the Counter (OTC) medications prescribed by a physician.
Oxygen and equipment
Prescribed medicines
Psychiatric care
Routine physical exams
Smoking cessation programs
Surgery
Transplants
Weight loss programs (for treatment of a specific disease)
Wheelchairs

Dental Expenses:

Bridges, crowns, and dentures
Fillings
Fluoride treatments
Oral surgery
Orthodontic care
Teeth cleaning

Tooth extraction
X-rays

Vision Expenses:

Contact lenses
Eye exams
Eye surgery (including vision correction)
Eyeglasses, reading glasses
Instruction, training, and equipment for the visually impaired

Travel Expenses:

Transportation primarily for, and essential to, medical care.
\$.23 per mile.

Lodging and meals at a licensed hospital or similar institution if you are there for medical care. Do not exceed \$50 per person per night.

Insurance Premiums:

Insurance premiums for medical, dental, and vision coverage, including Medicare Parts B and D, may be reimbursed.

Premiums that are paid for long-term care insurance are eligible if the contract meets the following four requirements:

- The policy must be guaranteed renewable;
- The policy must NOT provide a cash surrender value or other money;
- The policy must require that any dividends earned are used to reduce future premiums; AND,
- The policy does not pay or reimburse for expenses that have been paid under Medicare unless Medicare is a secondary payer.

The amount of long-term care insurance premiums you can include is limited. Refer to IRS Publication 502 for further information.

Which expenses are not covered?

Below is a partial list of non-qualifying expenses. For a detailed list, see *IRS Publication 502, Medical and Dental Expenses*.

Child day care expenses for a healthy baby
Elective cosmetic surgery
Funeral expenses
Health club dues
Household help
Nonprescription drugs and medicines, except for insulin
Nutritional supplements (unless prescribed for a specific medical condition)
Personal use items (toothbrush, toothpaste, etc.)

Teeth whitening
Weight loss programs (unless for specific disease treatment)
Expenses for which you are fully reimbursed from a flexible spending account or other tax-favored health savings plan
Expenses that were an itemized deduction on your income taxes
HRA funds may not be used to pay for life, disability, or any property (auto, home, etc.) insurance premiums.

What about my privacy? The State of Michigan and the plan administrator will fully comply with all HIPAA Privacy and Security laws when reviewing and processing your HRA claims. Please request a copy of the State of Michigan's Notice of HIPAA Privacy Practice for its group health plans.