



## HRAs: Defined Benefits that Define a Strong Commitment to Your Early Retirees



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FOR SUCCESS

SEPTEMBER 12-15, 2017  
SOUTH LAKE TAHOE, CA



# Current Situation



Since 2005, the expected health care costs during retirement have increased by **29 percent<sup>(1)</sup>**



**\$395,000** is the average out-of-pocket health care costs for a 65-year-old couple retiring in 2016<sup>(2)</sup>



The \$395,000 covers Medicare premiums, copayments and coinsurance over the next **20 years<sup>(2)</sup>**



With your HRA, you provide your eligible retirees with the **peace of mind** that they can afford health care during their golden years

1 "Health Care Costs for Couples in Retirement Rise to an Estimated \$245,000," Fidelity. <https://www.fidelity.com/about-fidelity/employer-services/health-care-costs-for-couples-retirement-rise>

2 "Average Out-of-Pocket Health Care Costs Estimated at \$395,000 for a 65-year-old Healthy Couple Retiring in 2016," Open Minds. [https://www.openminds.com/market-intelligence/news/average-health-care-costs-estimated-395000-65-year-old-healthy-couple-retiring-2016.htm/?mkt\\_tok=3RkMMWWfFPwRokue%2FMZKXonjHpfX56%2B8jVKK0IM1%2FOER3f4vPufGj4DT8Nk%2B5LDwFYGjlv65eFTbnNMbRh2bgMUxk%3D](https://www.openminds.com/market-intelligence/news/average-health-care-costs-estimated-395000-65-year-old-healthy-couple-retiring-2016.htm/?mkt_tok=3RkMMWWfFPwRokue%2FMZKXonjHpfX56%2B8jVKK0IM1%2FOER3f4vPufGj4DT8Nk%2B5LDwFYGjlv65eFTbnNMbRh2bgMUxk%3D)



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# Current Situation

- Public agencies should not expect OPEB funding issues to be solved by economic growth
- First step is to fully understand the long term consequences of retiree health care costs
- Solve for the long term first
- Many solutions are daunting
  - Hefty employee contributions
  - Reform benefits



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# What is an HRA?

Health Reimbursement Arrangement (HRA) is a health care plan that may provide reimbursements for medical insurance premiums and other eligible health care expenses



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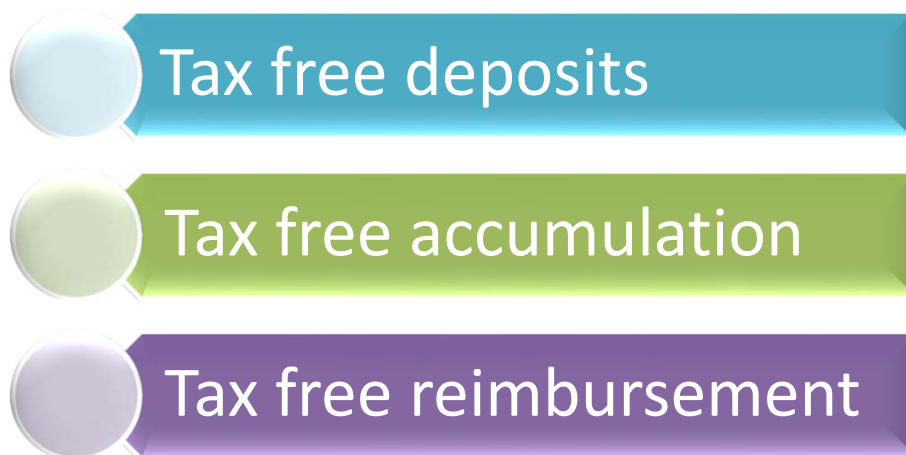
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# What is an HRA?

- Available since 2002
- Funded by the employer only and employee contributions are not permitted
- HRAs provide triple tax savings



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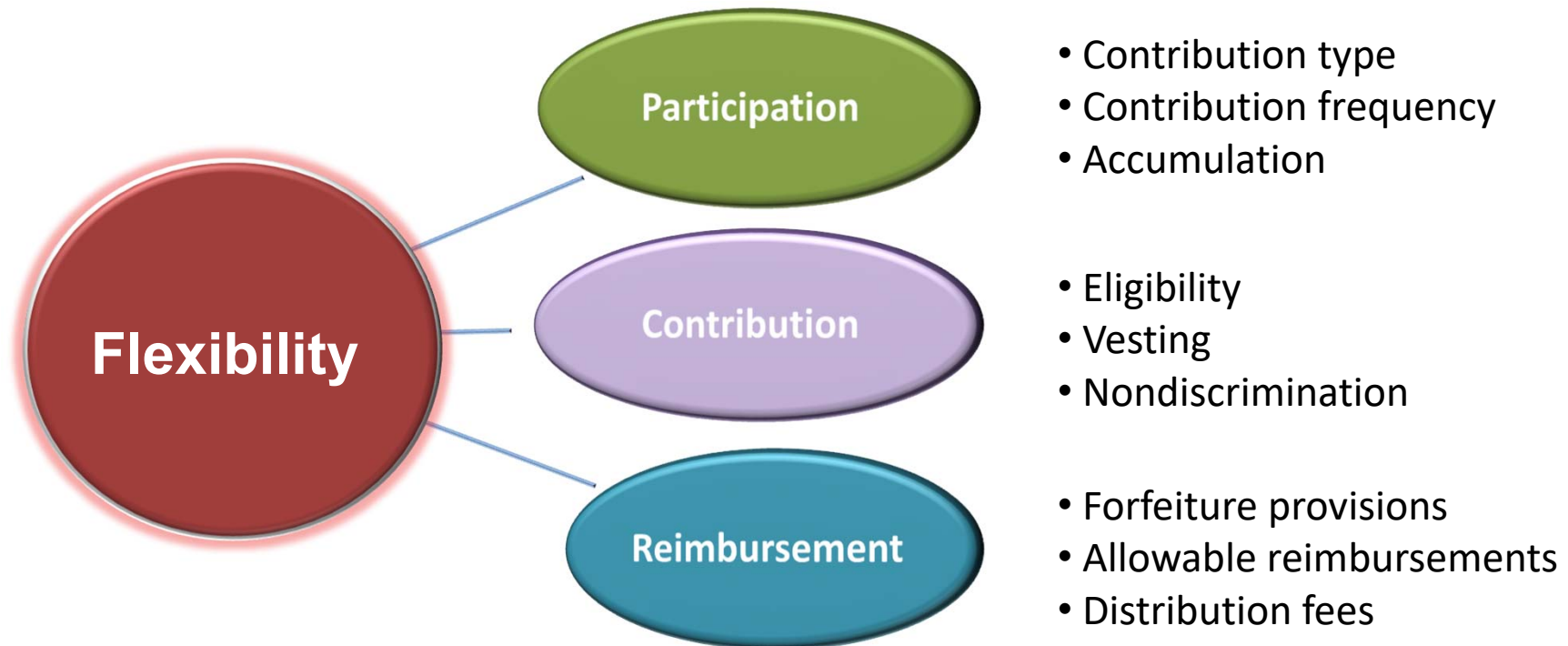
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# Flexible Plan Design



A Defined Contribution HRA's plan design is highly customizable and can take into consideration:



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# Plan Design



## Eligibility

- All early retiree employees enrolled in group health coverage through employer's sponsored group health plan



## Contributions

- Set dollar amount per month for each full-time employee
- Unused amounts carry over from year to year



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# Reimbursements for Employees

Reimburses deductibles, co-pays and co-insurance

213(d) eligible health care expenses

No taxation to participant

125 Plan contributions must be used before HRA, due to FSA's "use it or lose it" provision



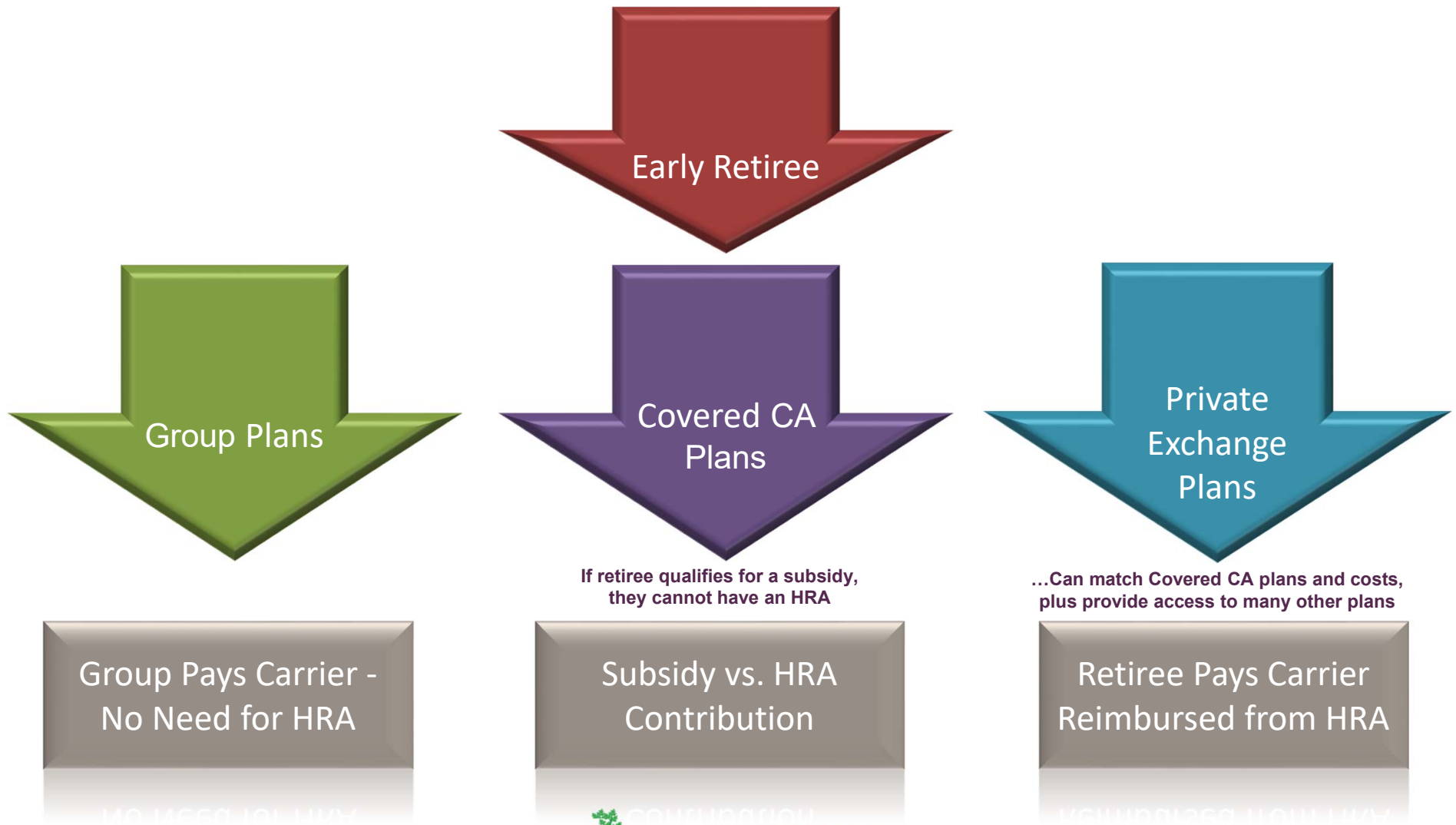
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# Utilizing an HRA as an Early Retiree




# Employer Benefits



Allows significant tax advantage and leverage while alleviating OPEB liabilities



Provides Enhanced Benefit Options, can act as a hiring tool and retention and can ensure post-employment benefit



Allows for flexibility in plan design and contribution strategy among different employee units



Reduces administrative strain



Can reduce overall group medical premiums



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# Employee Benefits




Provides maximum flexibility to employee:


- Can choose any health plan on the open market
- Join spouses coverage
- Utilize funds for future out of pocket and premium expenses



Tax free growth and reimbursement



Funds roll over year to year and are retained after separation from service



Can be utilized easily by employee or spouse with the debit card provided



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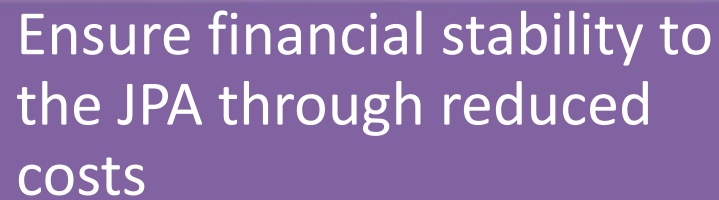
# JPA Benefits



Reduce long term claims cost



Provide additional options to employers and employees



Ensure financial stability to the JPA through reduced costs



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# What are Eligible Expenses?

## Common Qualified Claims

### Premiums

- Medical Insurance
- Dental Insurance
- Vision Insurance
- Health Maintenance Organization (HMOs)
- Long Term Care Insurance\* (Tax Qualified)
- Medicare Part B
- Medicare Supplement

### Most Common Expenses

- Over-the-Counter Drugs\*\*
- Office Visit Copays
- Physician Service Copays
- Prescription Copays
- Insurance Plan Deductibles
- Insurance Plan Co-Insurance

### Other Services & Fees

- Anesthetist
- Chiropractor
- Christian Science
- Dentist
- Exam, physical
- Eye Exam
- Fertility Treatments
- Gynecologist
- Healing Services
- Hospital
- Laboratory

- Osteopath
- Physician
- Physiotherapist
- Psychiatrist
- Sex Therapist
- Specialists
- Surgeons

### Military Retiree Coverage (TRICARE formerly known as CHAMPUS)

- Copays
- Deductibles
- Office Visits
- Vision
- EXTRA Premiums
- Medicare Part B Premiums
- PRIME (HMO) Premiums
- PRIME Supplement Premiums
- Retiree Dental Premiums
- Standard Premiums

### Misc. Expenses

- Adoption (medical expenses incurred before adoption is finalized)
- Air conditioning and air filters used for alleviating illness
- Alcoholism and Drug Treatment Center Costs
- Ambulance Hire
- Artificial Limbs and Teeth

- Automobile Modifications (hand controls, special equipment, mechanical lifts)
- Birth Control Pills
- Braille Books & Magazines
- Childbirth Classes (birth preparation, not child rearing)
- Contact Lenses
- Dental Treatments
- Eye Exam
- Eyeglasses
- Fertility Treatments
- Food & Beverages for specific diseases
- Genetic Testing (to determine possible defects)
- Hearing aids & Batteries
- Immunizations
- Infertility Treatment
- Laser Eye Surgery
- Lead-Based Paint Removal
- Learning Disability (school or educator for learning disabled children recommended by doctor)
- Lifetime Care at Medical Facility
- Lodging for Medical Care or Treatment (subject to \$50/day per person)
- Medical Supplies & Equipment

- Norplant Insertion or Removal
- Obstetrical Expense
- Operations
- Optometrist
- Oral Surgery
- Organ Transplants
- Orthodontia
- Physical Therapy
- Prescription Medicines
- Private Hospital Room
- Retirement Home Fees, costs allocable to medical care
- Seeing-Eye Dog
- Speech Training for Child with Dyslexia or other Learning Disability
- Sterilization
- Stop-Smoking Programs
- Student Health Fees
- Support for Corrective Devices
- Telephone for Deaf
- Therapy Treatments \*\*\*
- Transportation Expense Relative to Illness (subject to IRS limits)
- Vaccines
- Vasectomy
- Viagra
- Vitamins (subject to doctor's verification)
- Weight Loss Program (to treat an existing disease)
- Wheelchair
- X-Rays



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# Administration

- MidAmerica Administrative Solutions is a national leader in providing HRA services
- Live telephone response is provided Monday through Thursday 5:30 a.m. to 5:00 p.m. and Fridays 5:30 a.m. to 3:00 p.m.  
800.430.7999
- 24/7 web support is provided  
[www.midamerica.biz](http://www.midamerica.biz)



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# Funding



- American United Life (AUL)
- Fixed group annuity contract
- AUL is rated A+ (Superior) by A.M. Best
- Current interest rate is 1.60%



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# About Keenan

## SNAPSHOT OF *Keenan*

NICHE AGENCY  
FORMED IN **1972**

**JOINED**

  
AssuredPartners

**IN 2017**

MORE THAN

**700**

CALIFORNIA BASED  
EMPLOYEES



### WE PROVIDE SERVICES TO

 **850** SCHOOL DISTRICTS

 **110** PUBLIC AGENCIES

 **65** JPAS

 INDIVIDUALS & FAMILIES  
THROUGH KEENANDIRECT

ASSURED PARTNERS IS THE  
**13<sup>TH</sup> LARGEST**  
BROKER IN U.S.



(BUSINESS INSURANCE, JULY 2016)

**9** OFFICES  
IN CALIFORNIA

### YOUR LOCAL OFFICE

2355 CRENSHAW BLVD, SUITE 200  
TORRANCE, CA 90501



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