

A funded health reimbursement arrangement (HRA) for Washington State employees in general government agencies and higher education institutions

Plan Administration Guide

Ongoing Employer Responsibilities and Available Resources



Making your job easier is one of our top priorities. We know you're busy, and we never stop looking for ways to further streamline our processes. Many state agencies we work with say the VEBA MEP is an easy benefit to administer.

Keep this guide handy. It covers what you need to know and do, where to find more detailed information, and where to get personalized help if you need it.

What's covered:

1. Online Employer Portal
2. Group Votes
3. Policy; Memorandum of Understanding
4. Adding New Groups
5. Employee Enrollment
6. Employee Education
7. Contributions
8. Mistakes
9. Retiree Rehire Reporting
10. Participant Status Changes
11. Limited HRA Coverage
12. Forfeitures
13. Federal Tax Reporting
14. Medicare Part D Notice
15. Summary of Benefits and Coverage (SBC)
16. Washington State Paid Family and Medical Leave (PFML)

[More Information](#)
veba.org

[Ask Questions](#)
1-888-828-4953



1. Online Employer Portal

You can view, download, upload, send, and receive all kinds of information from your online employer portal.

- Use our Secure Message Center to ask questions and exchange information
- Enroll eligible employees
- Submit participant status changes (rehires, etc.) individually or in bulk
- Submit contributions (if using your own payroll system; not HRMS)
- View your Participant Roster
- Look up contribution history
- Download and print informational brochures, handouts, etc.

Log in at **veba.org**. Need registration or login help? Contact our Customer Care Center.

2. Group Votes

Historically, most employees want the VEBA MEP benefit. So, rather than conducting periodic votes (every year, every two years, etc.), it's common for groups to vote once and not vote again unless a certain percentage of the group requests a new vote.

SMALL AGENCIES: Voting pools must have at least five eligible voters. Small agencies may only have one or two employees eligible to vote. The IRS may view this as individual choice. To help avoid the appearance of individual choice, many small agencies with fewer than five eligible voters have joined the Small Agency Voting Pool administered by Department of Enterprise Services. For more information, contact Health Care Authority's VEBA Senior Account Manager, Janice McAlpin, at (360) 764-0415 or janice.mcalpin@hca.wa.gov.

Note that if VEBA MEP participation is discontinued, it cannot be reinstated until the following calendar year (WAC 357-31-375(6)).

For more details, including a sample voting ballot, read our **Group Voting Guide** for state agencies and higher education institutions. Just ask your Gallagher representative for a copy, or log in at **veba.org** and click **Resources**.

3. VEBA MEP Policy; Memorandum of Understanding

Your VEBA MEP policy should include confirmation of decisions made pursuant to your employee group structure, consultation with affected employee groups, and voting procedures, if applicable. It should also address VEBA MEP adoption for non-represented employees.

Similarly, for bargaining units, execute a memorandum of understanding with the unit's exclusive representative, if applicable.

A VEBA MEP policy or memorandum of understanding template is available upon request from your Gallagher representative or Health Care Authority's VEBA Senior Account Manager, Janice McAlpin, at (360) 764-0415 or janice.mcalpin@hca.wa.gov.

ACTION REQUEST: Please email copies of your policy and memorandums of understanding to your Gallagher representative as they are updated.

4. Adding New Groups

Personalized support for decision makers and stakeholders is provided by Gallagher Benefit Services, Inc. If you need to implement the VEBA MEP for a new employee group, contact your Gallagher representative at 1-800-888-8322.

5. Employee Enrollment

Our paperless enrollment process works great for large groups of employees or just a few at a time. Simply populate and upload our **Enrollment/Status Change Spreadsheet** template, or enter the required information directly into our system. No chasing down paper enrollment forms!

We'll process your enrollments within a day or two. If your enrollment data includes email addresses for employees, we'll send enrollment confirmation emails to each of them. These emails will contain time-sensitive online registration links (tokens). After registering and logging in, participants can enter their spouse and dependent information and check and update their contact information, investment allocation, and more.

For more details, read our **Enrollment/Status Change Instructions** and **Enrollment/Status Change Spreadsheet** template available online. Log in at veba.org and click **Resources**.

CLAIMS ELIGIBILITY: Employees enrolling in the VEBA MEP generally become participants and eligible to submit claims on the day their HRA receives its contribution. If needed, you can enter specific participant effective dates (claims-eligibility dates) on the **Enrollment/ Status Change Spreadsheet** template.

HOLD HARMLESS: Before receiving a sick leave cash out contribution to the VEBA MEP, RCW 41.04.340(7) requires employees to sign a hold harmless agreement with their employer “as a condition of participation under the plan.” The agreement must include provisions that (a) hold the employer harmless in the event of a tax dispute and (b) require employees to forfeit sick leave cash out remuneration if they refuse to execute the required agreement. Employers often include this as part of their internal sick leave cash out process. Contact your Gallagher representative if you have questions.

NO INDIVIDUAL CHOICE: All employees defined as eligible must participate, according to IRS rules and state law. Do not permit any form of individual employee choice with regard to participation or funding amounts. Funds eligible for contribution to the VEBA MEP should not be paid to any employee as regular wages in lieu of VEBA MEP participation. If this occurs, it could affect the tax-exempt status of employer contributions on behalf of other participants. This means an arrangement that provides cash to employees for any reason other than the reimbursement of medical care expenses does not qualify for tax-favored treatment, and employer contributions and payments (reimbursements) made from the plan would be subject to tax.

6. Employee Education

Refer employees to **veba.org** for more information, or provide them with our one-page **VEBA MEP HRA Enrollment** or **VEBA MEP HRA Basics** handouts. A multi-page brochure is also available. To access these resources and more, log in at **veba.org** and click **Resources**, or request a supply from our Customer Care Center.

In addition to the above tools, your Gallagher representative is available for group educational presentations (virtual or in person).

7. Contributions

HRMS INSTRUCTIONS: For instructions on processing a VEBA MEP contribution (deduction) in HRMS, contact the OFM Help Desk at HereToHelp@ofm.wa.gov or 360-407-9100. Instructions for processing payroll items can be found in the HRMS Support Hub. Time Quota Compensation (Buyout) instructions can be found here: [quota_time_quota_comp_buyout.pdf \(wa.gov\)](https://www.wa.gov/quota_time_quota_comp_buyout.pdf).

If you use your own payroll system, our contribution process requires two actions:

1. **Send contribution report.** Most employers populate and upload our **Contribution Spreadsheet** template. It has everything we need: Division Code, Account Number or Social Security Number, First Name, Last Name, and Amount.
2. **Send funds.** We recommend ACH or wire transfer. Sending money electronically is faster and more secure than mailing paper checks.

We'll process your contribution (data and funds) and mail a paper welcome packet and Plan Summary to new participants within about three days.

For more details, refer to our **Contribution Instructions** and **Contribution Spreadsheet** available online. Log in at veba.org and click **Resources**.

8. Mistakes

Find a mistake? Don't worry! Notify us right away, and we'll help you fix it. Simply complete a **Mistake of Fact** form to request the return or reallocation of funds contributed in error. Forms are available online. Log in at veba.org and click **Resources**.

Contributions submitted by mistake more than one year ago, along with any accumulated investment earnings, may not be returned. However, these funds may be reallocated equally to your remaining participants with a positive account balance.

9. Retiree Rehire Reporting

If you rehire a VEBA MEP participant who has previously retired from your agency, please notify us so we can place the participant's HRA in a limited status (see **Participant Status Changes** below). Only certain “excepted” medical expenses are eligible for reimbursement during re-employment. Generally, this includes dental, orthodontia, vision, and long-term care.

The VEBA MEP is a “post-separation” HRA plan. To maintain this qualified status, rehired VEBA MEP participants (retirees) from your agency cannot remain fully claims eligible during any period of re-employment. If this happens, the VEBA MEP could lose its qualified “post-separation” status and certain exemptions under federal healthcare reform necessary to continue operating.

This retiree rehire limitation does not apply if you hire a retiree from a different agency.

10. Participant Status Changes

Please let us know right away when participants: (1) get rehired; and (2) separate from service again.

You can easily submit participant status changes online. Uploading our **Bulk Status Change Report** is handy if you need to report several participant status changes at once. If you have just a few, locate the desired participant's record and click the **Process a Participant Status Change** button.

For more details, read our **Enrollment/Status Change Instructions** available online. Log in at veba.org and click **Resources**.

11. Limited HRA Coverage

Participants with fully claims-eligible HRAs in any of the situations listed below may need to elect limited HRA coverage. It could help avoid frustrating hassles down the road.

- **HSA Contribution Eligibility.** The participant, his or her spouse, or a dependent are making or receiving contributions to a health savings account (HSA). To be eligible for HSA contributions, an individual must have no other “first-dollar” coverage, such as full HRA coverage. Read our **HSA Contribution Eligibility and Your HRA** for more details. Log in at veba.org and click **Resources**.

- **Premium Tax Credit Eligibility.** The participant, his or her spouse, or a dependent are purchasing insurance through a marketplace exchange and are taking the Premium Tax Credit (subsidy). Read our **Premium Tax Credit and Your HRA** for more details. Log in at **veba.org** and click **Resources**.

Participants can avoid potential problems by electing limited HRA coverage for themselves, their spouse, and/or a dependent as needed. They just need to complete and submit a **Limited HRA Coverage Election** form. The form, which contains more details, is available online. Log in at **veba.org** and click **Resources**.

12. Forfeitures

Participant account forfeitures are very rare, but they can occur if: (1) a deceased participant has no surviving spouse, dependents, designated beneficiaries or other eligible survivors; and (2) unused funds still remain after all known out-of-pocket medical expenses have been reimbursed.

In these cases, forfeited funds are moved into a temporary suspense (forfeiture) account, which generates a semiannual account statement to the employer in January and July. To view your suspense account, if any, online, log in at **veba.org** and click **Accounts**.

As forfeitures occur, funds in your suspense account will be automatically reallocated equally to your remaining participants with a positive account balance. No employer action is required.

To learn more about the survivor benefit progression when participants pass away, read our **What Happens if I Pass Away?** brochure available online. Log in at **veba.org** and click **Resources**.

13. Federal Tax Reporting

Keep in mind that the VEBA MEP is a health reimbursement arrangement (HRA). It is not a health savings account (HSA). HSAs have different tax reporting rules.

- **Form W-2.** Tax reporting of HRA contributions on Form W-2 is not required. Participants should not report contributions, earnings, or reimbursements on their individual Form 1040. However, those who are the divorced spouse or non-dependent survivor of an HRA participant

must report the value of their HRA coverage as taxable income. In these cases, we'll mail a tax statement and instructions to them.

- **Form 1099.** Participants will not receive a Form 1099 for any investment earnings or claim reimbursements. But, we will issue a Form 1099-MISC to participants whose zero-balance accounts were closed during the tax year with unsubstantiated debit card transactions. IRS rules require us to report the value of these unsupported transactions as taxable income to the participants.
- **Form 1095-B.** We will furnish Form 1095-B to your claims-eligible participants whose HRAs qualified as “minimum essential” health plan coverage during any month in the prior tax year. Read our **Understanding IRS Form 1095-B** online for more details. Log in at **veba.org** and click **Resources**.
- **PCORI Fee.** The Patient-Centered Outcomes Research Institute (PCORI) fee is prorated and deducted from participant accounts on a quarterly basis. VEBA Trust files IRS Form 720 annually in July and remits the total fee amount due.
- **Form 5500.** If you file Form 5500, do not include VEBA Plan contributions.
- **Forms 990 and 990T.** VEBA Trust files Forms 990 and 990T annually.

14. Medicare Part D Notice

We're required to provide participants with an annual Medicare Part D Notice. The Notice contains information about prescription drug coverage provided by the VEBA Plan and Medicare Part D.

15. Summary of Benefits and Coverage (SBC)

We're required by federal law to provide participants with an SBC annually. Keep in mind that while the VEBA MEP is a health plan, it is not insurance. Much of the information and many of the defined terms in the SBC apply to insurance coverage and do not directly apply to HRAs. The best HRA information resource for participants is the **Plan Summary**, which is available online. Log in at **veba.org** and click **Resources**.

16. Washington State Paid Family and Medical Leave (PFML)

Contributions to the VEBA MEP may be considered subject wages under the state's PFML. For more information, visit www.paidleave.wa.gov or call 1-833-717-2273.

Need help?

If you have enrollment, contribution, or other administrative questions, contact our Customer Care Center at **1-888-828-4953**, or log in at **veba.org** and click the **envelope icon** (✉) to send a secure message.

Plan adoption, funding method, group structure, and related regulatory questions should be directed to your Gallagher representative at 1-800-888-8322.

We're here to provide you and your participants with top-notch service.

More Information
veba.org

Ask Questions
1-888-828-4953

