

COMMONLY ASKED QUESTIONS AND ANSWERS ABOUT PARTICIPATION IN A VEBA HEALTH SAVINGS PLAN

What is a VHSP Health Savings Plan?

In a nutshell, a VEBA Health Savings Plan (VHSP) is made of 2 components - a Health Reimbursement Arrangement (HRA) and a VEBA trust. An HRA is an employer sponsored medical benefit plan through which you can get reimbursed tax-free for your eligible out-of-pocket medical or dental expenses (*e.g.*, expenses that are not paid for by insurance or any other benefit plan). VEBA is an acronym for tax Code Section 501(c)(9) - Voluntary Employees' Beneficiary Association. A VEBA is a trust that allows assets to grow tax free and be paid out for employee benefits. Together, they make up the VEBA Health Savings Plan that will be explained further below.

Your employer contributes money to your VEBA Health Savings Plan and you don't have to pay taxes on the contributions. Then, that non-taxable money is paid back to you as reimbursement for eligible out-of-pocket health care expenses that you incurred for yourself and, if any, your spouse or your dependents.

When can I incur eligible health care expenses and receive reimbursement for them?

This is determined by the terms of your employer's plan document. Sometimes it is the result of what has been negotiated in collective bargaining, and depending upon the plan provisions, the ability to submit claims for reimbursement can begin as soon as you receive your first contribution or it can be deferred until a later date, such as when you reach retirement age. You need to read your plan summary to find out when you can start incurring and receiving reimbursement for eligible health care expenses.

When are expenses "incurred?"

The IRS rules state that an expense is incurred at the time that the services are provided, not when an appointment is made, a bill is dated, or a bill is paid.

What kinds of expenses qualify for a VHSP Account?

Very technical IRS rules must be followed in order for expenses to qualify for reimbursement. Generally, amounts paid for medical care (defined as amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body), as well as health insurance premiums will qualify for the VHSP Account. However, expenses incurred prior to the time you become eligible to incur and receive reimbursement for such expenses under the provisions of the plan are not reimbursable. Please refer to your plan summary when you are eligible to incur and submit expenses for a description of what expenses are eligible for reimbursement.

Can the money be withdrawn for anything other than the above?

VHSP accounts can only be used for tax-eligible medical expenses and premium reimbursements.

How are deposits made to my VHSP Account?

Deposits to your VHSP Account are made by your employer. The frequency and amount of those deposits can vary from employer to employer. Please refer to your plan summary to find out how often deposits will be made into your account. If your VHSP program is established in connection with a "VEBA" or "Section 115" trust, then the contributions are deposited into a trust fund on your behalf.

If my VHSP program is established in connection with a "VEBA" or "Section 115" trust, do I earn interest?

Your account is invested in accordance with the provisions of your plan document. In all cases, however, investment performance will be posted to your account periodically.

Depending upon the nature of the investments, this could take the form of interest earnings, or it could be investment gains or losses. Because the investment provisions vary from plan to plan, you should check your plan summary for the details of your plan investments.

Do I pay federal, state, or local taxes on this money?

Contributions to your account are made pre-tax, the earnings are tax-free and reimbursements are tax-free.

Can I put my own (employee) dollars into the VHSP?

Unfortunately, no. The Internal Revenue Code requires that VHSP are to be funded by the employer only.

Can I use the money in my VHSP account while I am working or do I have to wait until I retire?

Your employer decides the eligibility and specifications for the plan. Your plan may allow you to receive tax-free reimbursements during your working years. Your balance may be carried with you into retirement and reimburse for premiums you pay and uninsured medical expenses during retirement.

Is my VHSP money protected from creditors?

Yes. Account assets held in the trust cannot revert back to the employer and are protected from creditors.

How do I receive reimbursements from my VHSP Account?

You must complete an online or paper claim form and submit it to Genesis Employee Benefits by fax or mail. For each eligible expense, the IRS requires that you indicate the person who provided the service, the nature of the service, the date the service was provided, the person who received the service, and the amount. You must also include documentation (copies of EOBs, itemized receipts, statements, etc.) for each service.

How long will it take to get reimbursed when I submit claims?

Eligible claims and substantiation received by Genesis by Wednesdays are reimbursed the following week on Friday. Direct deposit reimbursements will be in your account on Friday. If you choose to have a paper check mailed, please allow 3-5 business days for your receipt of the check.

How much will I receive when I submit a claim?

You will receive the lesser of the amount you submitted or the balance in your account at the time of reimbursement. If your balance is less than the amount that you submitted, the unreimbursed amount will automatically be reimbursed to you when another contribution of sufficient amount is made to your VHSP Account.

After I have incurred an eligible expense how long do I have to submit a claim for reimbursement?

This varies from plan to plan. Your plan summary will specify the length of time you have from the time you incurred the expense to when you have to submit it for reimbursement.

Does the VHSP have a “use-it-or-lose-it” provision like a Flexible Spending Account?

The IRS “use-it-or-lose-it” provision under which participants must forfeit their remaining balance at the end of the plan year does not apply to VHSP programs. In fact, VHSPs typically do not even have “plan years.” Instead, the account balance simply rolls over from year to year. However, just because the IRS “use-it-or-lose-it” provisions don’t apply doesn’t mean that there might not be circumstances in which participants forfeit the balance in their account. You should review your plan summary carefully for any forfeiture provisions that may apply.

What happens to my VHSP Account if my employment ends during the year?

Again, your plan summary will specify whether you are allowed to access your VHSP balance after your last date of employment and, if not, what happens to your account balance.

What if I die and I still have money left in my account?

If you have a spouse and/or dependents at the time of your death, they may continue to use your account to pay any eligible health care expenses that they incur until the account is exhausted. Please note that dependents must have been a “dependent” as defined by the IRS at the time of your death. Under IRS rules, no amount can be paid out of your account upon your death to anyone but your eligible spouse and/or dependents, and the payments can only be for the reimbursement of eligible health care expenses.

Can I request reimbursement of medical expenses and also deduct the same expenses on my income tax return?

No. You can use the VHSP Account or the itemized deduction, but not both for the same expense.

Do I have to pay an administration fee from my account?

In many instances, administration fees are required to be paid by plan participants. Please see your plan summary and/or your employer for information about fees that may be charged to your account.

How do I access my claim activity information?

You can access your account information by logging on to Genesis’s website at www.GenesisBenefits.net and clicking on “Participant Login”. You will be able to submit and view your claims, your payments, and your account balance. Forms can also be printed from this site.

Please Note: These questions and answers represent a brief summary of Health Reimbursement Arrangement rules. They are not intended to provide legal or tax advice. If any statement in this document conflicts with the provisions of your formal plan document, the formal plan document will be considered to be correct.

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Check the status of your claim online at www.GenesisBenefits.net. Choose Participant Login in the upper right corner.