

MULTIEMPLOYER INDIVIDUAL ACCOUNTS WELFARE FUNDS

BASICS

What is a multiemployer individual account fund?

An individual account fund allows participants to choose how to use employer welfare fund contributions for health care, wage replacement and other types of benefits in a way that makes the best use of Internal Revenue Code tax exemptions. An individual account fund permits participants to obtain tax-free healthcare benefits and postpone taxes on other benefits until paid to the participant. Unused account balances may be carried forward from year to year. Interest earned on participant's individual accounts may be used to increase account balances or to pay administrative expenses.

What are individual accounts?

Individual accounts are personal accounts set-up by the fund for each participant. Each participant's account has a balance similar to a check book. Contributions made to the fund on behalf of a participant are credited to the participant's account. The cost of benefits provided by the fund are debited from the participant's account. When a participant's account balance reaches zero, the participant is no longer eligible for benefits until more contributions are made on the participant's behalf.

What can an individual account be used for?

Individual accounts can be used to purchase health and dental insurance coverage, to reimburse participants for health care costs that are not covered by insurance such as health insurance deductibles and co-pays, to purchase long-term care insurance and more.

What are the benefits to participants?

Individual accounts give participants more control over the use of contributions made by their employers. Individual accounts also let participants choose from a variety of benefits.

What are the benefits to trustees and fund administrators?

Trustees and fund administrators benefit from individual accounts because the accounts simplify administration. Estimating and projecting the fund's benefit payment obligations are also easier because benefit payment obligations can be limited to the current and projected balance of each participant's account.

How are individual accounts funded?

Accounts are funded with employer contributions. Employer contributions are made as required by collective bargaining agreements between employers and the union representing the participants. Employers usually contribute an hourly amount to participants' individual account for each hour that participants work. The hourly amount is specified in the collective bargaining agreement. The fund is only required to credit contributions that it actually receives. If an

employer is late or fails to pay amounts to the fund, the individual accounts of its employees are not credited until the contribution is received.

Are participants permitted to make contributions to their individual accounts?

No. Participants cannot make contributions to their accounts. Only employer contributions are permitted. Participants whose individual accounts are depleted and who would otherwise lose coverage may continue health coverage by purchasing coverage with money they have outside the fund. These payments are usually treated as COBRA payments. However, such payments are only to obtain health care insurance coverage and the payments are not credited to participants' individual accounts.

Are multiemployer individual accounts funds held in trust?

Yes. The assets of multiemployer individual account welfare funds are held in trust. The trustees of the fund are made up of equal numbers of employer and union trustees. The trust is exempt from taxes as an Internal Revenue Code Section 501(c)(9) voluntary employee benefits association. Contributions may only be used for the benefit of participants and their dependents or to pay the fund's administrative expenses.

What benefits can be provided under a HRA?

A HRA may pay health care expenses that are deductible for income tax purposes. This means HRAs can be used to pay health care insurance premiums and to reimburse participants for health insurance deductibles and co-payments. HRAs may be used for COBRA premiums, Medicare Part B and D premiums and long term care insurance premiums. A HRA can also be used to pay medical expenses that are not covered by insurance. HRAs can be used to reimburse expenses for psychoanalysis, weight loss programs and over-the-counter drugs. A HRA cannot pay benefits that are not deductible health care expenses for income tax purposes. More information on HRAs is provided below.

HRAs

How are HRAs used in a welfare fund?

A HRA can be used to either supplement health insurance coverage provided by the fund or it can be fully integrated with the fund's health coverage. A supplemental HRA is limited to only providing reimbursement for health care expenses that are not paid by the fund's health care insurance coverage. In addition to supplemental health care benefits, an integrated HRA provides participant health insurance coverage by requiring health care coverage premiums to be charged against participants' HRA balances.

How is health care insurance eligibility determined under a supplemental HRA?

When a HRA supplements a fund's health care coverage, eligibility for health care insurance coverage is generally based upon attaining a specified number of hours of work or a period of service. With a supplemental HRA, only a portion of employers' contributions are credited to participants' HRAs. The portion of employers contributions not credited to participant HRAs is

used to pay the cost of the fund's health care insurance. For example, a welfare fund with a supplemental HRA might require participants to work 1000 hours in year to be eligible for health care coverage the following year. Only employer contributions for hours worked in excess of 1000 hours are credited participants' HRAs.

How is health care insurance eligibility determined under an integrated HRA?

Health care insurance eligibility for integrated HRA funds is determined based upon participants' HRA balances. A health care insurance premium is charged against each participant's HRA for each month of coverage. Health care insurance coverage continues as long as the participant's HRA balance is sufficient to pay the premium. If a participant's HRA balance is not sufficient, the participant must make COBRA contributions or lose coverage.

Is a HRA welfare fund required to provide health care insurance?

No. A welfare fund with a HRA is not required to offer a health care insurance coverage program. Participants can obtain coverage from other sources such as from a spouse's employer, under a previous employer's COBRA or retirement coverage, private insurance coverage or no coverage at all. Participants may be reimbursed from their HRA for the health care insurance premiums paid to obtain this coverage.

What are the benefits of a HRA?

Employer contributions to a HRA are tax deductible for employers and are excluded from participants' gross income. Health care coverage premiums and reimbursements made from participants' HRAs are tax-free. There is no limit on the amount of contributions an employer can make to participants' HRAs or there is no maximum on a participant's HRA balance. Unused HRA balances can be carried forward for use in later years.

What expenses are eligible HRA expenses?

A HRA may pay any health care expense that is deductible for income tax purposes. A HRA may only pay health care insurance premiums or reimburse health care expenses that participants actually incur. Health care premiums and expenses must be incurred after the participant enrolls in the fund and may not be covered or submitted for reimbursement to another HRA or tax exempt health care plan. The following health care expenses are generally eligible for reimbursement:

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| Abortion | Laboratory Fees |
| Acupuncture | Lead-Based Paint Removal |
| Alcoholism Treatment | Learning Disability |
| Ambulance | Lifetime Care - Advance Payments |
| Artificial Limbs | Medical Conferences |
| Artificial Teeth | Medical Services |
| Bandages | Medicines |
| Birth Control Pills | Mentally Retarded Special Home and
Special Education |
| Braille Books and Magazines | Nursing Home |

Breast Reconstruction Surgery	Nursing Services
Chiropractor	Optometrist
	Child-birth Preparation Classes
Christian Science Practitioner	Organ Donors
Contact Lenses	Orthodontic
Cosmetic Surgery to Correct Deformity	Osteopath
Crutches	Oxygen
Dental Treatment	Prosthesis
Diagnostic Devices	Psychiatric Care
Disabled Dependent Care Expenses	Psychoanalysis
Drug Addiction Treatment	Psychologist
Drugs - Prescription and Over-the-Counter	Qualified Long-Term Care Services
Eyeglasses	Sterilization
Fertility Enhancement	Stop-Smoking Treatment
Guide Dog	Surgery
Handicap Access Improvements	Therapy
Health Maintenance Organization	Transplants
Hearing Aids	Vasectomy
Home Care Expenses	Vision Correction Surgery
Hospital Services	Weight-Loss Programs
Insurance Premiums - Health Care	Wheelchairs
Insurance Premiums - Medicare B and D	Wig for Medical Treatment Hair Loss
Insurance Premiums - Prepayments	

Who is eligible for HRA benefits?

Each current and former employee whose employer has made contributions to the participant's HRA and the spouse and dependents of such participant and, after the death of the participant, the participant's surviving spouse and dependents.

What happens to a participant's account balance if the participant dies?

A participant's surviving spouse and dependents may continue to use a deceased participant's HRA until the balance is depleted. The balance must be forfeited to the fund if there is no surviving spouse and no surviving dependents. The fund may also provided that inactive HRAs will be forfeited to the fund. HRAs can only be used for health care insurance premiums and health care expense reimbursements. A HRA cannot pay a death benefit.