



The Power of HRA Employee Classes

Your People Matter Most

Recruiting and retaining great employees is important to every company – from major global corporations to the newest small business. Getting the best people requires you give them great compensation. Your health benefit plan is a key part of the compensation you offer.

Using Classes Makes Business Sense

With salary and other types of compensation, employers routinely compensate groups of employees differently. Field sales people are compensated differently than sales managers. Some employees get company cars, while others earn quarterly bonuses. Because health benefits are such an important part of compensation, why not provide benefits that vary by class of employee?

Zane Benefits creates employee classes that offer benefits tailored to your company's objectives, transforming your health benefit plan into a tool to find and keep great people.

To illustrate how using classes does this, consider an electrical contracting company who struggled to hire and keep journeymen electricians in a very tight labor market. Instead of offering the same health plan to all employees, the company created separate classes for apprentices and journeymen and gave journeyman \$350 more per month in their HRA. This large increase helps the company reduce attrition among journeyman. Plus, it creates a visible incentive for apprentices to complete the education required to become journeymen.

Providing Class-Specific Health Benefits is Clearly Allowed by ERISA and HIPAA

Providing different levels of benefits to classes of employees is at the core of benefits compensation and is routinely done by major corporations. Federal regulations state that "a plan or issuer may treat participants as two or more distinct groups of similarly situated individuals if the distinction between or among the groups of participants is based on a bona fide employment-based classification consistent with the employer's usual business practices."¹

¹ 29 CFR §2590.702 at http://law.justia.com/us/cfr/title29/29cfr2590_main_02.html

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To comply with these regulations, employee classes within the HRA must:

- **Be based on bona-fide business differences.** These may include job categories, geographic location, part-time or full-time status, date of hire, etc.
- **Treat all “similarly situated” employees equally.** By creating classes based on genuine job categories, all employees within a class will be “similarly situated”.
- **Not discriminate against unhealthy people.** An employer cannot provide inferior benefits to specific individuals with adverse health conditions. (However, the law does permit employers to provide superior benefits to individuals with adverse health conditions.)²
- **Spell out the requirements for classes and benefits in the ERISA plan document.**

If, upon audit, an HRA plan is found to not comply with these rules, then the employer must provide the same level of benefits to all employees, regardless of their class, from the time the HRA was created to the date of the violation.

How Zane Benefits Enables Employee Classes

Zane Benefits allows you to make the most of employee classes within your company’s HRA. Specifically, Zane Benefits:

1. Helps you create employee classes and provides advice about how to structure these classes to meet the ERISA and HIPAA requirements described above.
2. Enables you to customize the benefits for each class.
3. Substantiates claims in accordance with IRS rules and retains a seven-year record of all substantiated expenses for audit purposes.
4. Provides reports that show how each class benefits from the HRA.
5. Generates legally required plan documents and helps you distribute them to employees.

Making Classes Work in Your Company

Your people matter most. With Zane Benefits’ help, you’ll create a HRA-based benefit plan to recruit and retain them.

Talk to your Zane Benefits Health Benefits Specialist today to get started.

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² See “Employees with Adverse Health Conditions”, published by Zane Benefits.

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