



## Request for City Council Committee Action from the Department of Human Resources

**Date:** April 3, 2012  
**To:** Ways and Means / Budget Committee  
**Referral to:** City Council  
**Subject:** Amendment to the City of Minneapolis  
Health Reimbursement Arrangement Plan

### Recommendation:

Authorize the execution of the Fourth Amendment to the City of Minneapolis Health Reimbursement Arrangement Plan (the "HRA").

### Previous Directives:

Adoption of the City of Minneapolis Health Reimbursement Arrangement Plan, as Amended and Restated Effective January 1, 2006. Adoption of the First Amendment effective January 1, 2009, adoption of the Second Amendment effective January 1, 2010 and adoption of Third Amendment effective January 1, 2011.

### Department Information

Prepared by: Joyce Traver and Susan Trammell

Approved by:

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Pamela French  
Director Human Resources

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Jayne Kahlifa  
City Coordinator (Interim)

Presenters in Committee: Joyce Traver

### Financial Impact

- No financial impact

### Supporting Information

AN HRA can cover both current and former employees, their spouses and dependents. In addition, the spouse and dependents of a deceased employee may continue participation in the HRA. HRA are subject to the same COBRA continuation of coverage rules as other employer-sponsored group health plans. Under COBRA law, HRA participants who separate from employment or experience certain changes in employment or family status (divorce, dependent reaching limiting age, etc.) may continue to access their HRA accounts for up to 18 months by paying required monthly contributions.

Federal law permits the HRA to offer continued "coverage in lieu of COBRA" whereby participants and their eligible dependents continue to have access to their HRA accounts until funds are exhausted without paying monthly contributions and without the 18-month limit. This coverage in lieu of COBRA is generally the customary participant election, however, coverage in lieu of COBRA is not available to ex-spouse and former dependents

who have aged out of participation as they are no longer eligible dependents according to IRS rules. These former participants must elect COBRA coverage in order to continue to access funds in the HRA accounts.

The amendment to the HRA updates and clarifies various plan provisions so that “coverage in lieu of COBRA” is the automatic/default option for all applicable events relating to access to plan benefits coverage following separation from employment or other loss of eligibility.