



Premium Reimbursement Accounts

What is a Premium Reimbursement Account (PRA)

A Premium Reimbursement Account, under Internal Revenue Code (IRC) Section 125, allows individuals to set aside some of their paycheck to help pay for health coverage not sponsored by an employer. The money is taken out of each check before taxes are withheld, which helps lower the net cost for buying health insurance. Participants may be reimbursed for individually owned policies held by the employee for single, two-party, or family coverage.

How Does the PRA Work

During open enrollment employees will decide how much they want set aside from their paycheck to pay for coverage. That amount is then automatically deducted from the employee's paycheck, which becomes available for reimbursement for health care premiums paid during the plan year.

Participants may use their PRA to be reimbursed for individually owned policies for themselves, a spouse, or eligible dependents that are not employer sponsored. Policies not available in a PRA are Life Insurance, group insurance sponsored by another employer, long term care, dependent COBRA premiums and Medicare Part B premiums. The account may not be used for out-of-pocket co-pays or deductibles associated with these policies as found with a traditional FSA program.

Participants may revoke the existing election and make a new election or the remainder of the plan year if they experience one of the following events:

- Change in family status
- The participants independent premium increases or decreases during the plan year
- The independent coverage significantly changes or is canceled

Using National Benefit Services for your PRA

NBS will work with the employer to set up the account, write the legal documents, and arrange reimbursements for employees. Once employees have enrolled in the program they will submit their reimbursement requests to NBS for processing. These requests can be sent via fax, email, mail or online through the NBS website. NBS will be available to both the plan sponsor and employees for questions on the account.

Using a PRA will offer employees a new option for their individual policies to save on their personal taxes and increase their purchasing power. The plan will also reduce the FICA and federal tax liability on the employer. Contact your NBS representative with any questions or to get your new PRA established.