

# Montana VEBA Health Reimbursement Account

STATE OF MONTANA EMPLOYEES

## VEBA OVERVIEW

*Presented by:*

**Melanie Denning, VEBA Health Officer**  
**Health Care & Benefits Division**  
**Dept. of Administration**

# VEBA Introduction



- What is a VEBA?
- What is an HRA?
- Plan Operations & Service Providers
- Why participate or offer a VEBA?
- Tax-free
- Eligible expenses/filing claims
- Voting procedures
- Information resources



# Handouts



- Summary of Benefits – example
- List of eligible expenses
- Q/A Document – NOTE: This is specific to State employees eligible for the VEBA
- List of Current Quarter Fund Performance
- Enrollment Form



# State of Montana Plan

For State of Montana Employees;

- Your Agency Decision how to offer
- Separation from service remains the only option for state employees at this time-by retirement only or any separation
- Annual Vote option
- Ability to build an account as an active employee will be available in the future and would require new vote.

# Why Do VEBA



- Intention is to assist with creation of a supplemental medical fund for use after separation
- Avoid taxes on compensation
- Pre-65 average retiree medical cost - \$12,100 per year
- Post-65 average retiree medical cost - \$7,600 per year

# Tax Advantages



## 100% tax free!

- Tax free contributions
- Tax free earnings
- Tax free withdrawals



# \$10,000 without MT VEBA

- \$10,000 available
- 27% federal income tax
- 7.65% FICA
- 8% state income tax

\$ 10,000	Cash
4,265	Taxes
<hr/>	
\$ 5,735	Net Cash

# \$10,000 with MT VEBA

- \$10,000 benefit available
- 27% federal income tax
- 7.65% FICA
- 8% state income tax

\$ 10,000	Cash
0	Taxes
<hr/>	
\$ 10,000	MT VEBA

# Tax Savings

**\$5,735**

← CASH

MSA VEBA →

***\$10,000***

**Montana VEBA HRA saves  
\$4,265 in taxes!!!**

# Qualified Expenses



- Out-of-pocket medical, dental and vision expenses not paid by insurance
  - Co-pays, deductibles, co-insurance
  - Prescription & OTC drugs
  - Crowns
  - Eyeglasses, etc.
- Other expenses as outlined in IRC Section 213(d)



# Whose expenses are eligible?

- Employee/participant
- Spouse
- IRS dependents
  - Children
  - Elderly parents, etc.



# Administrative Costs



- Low monthly policy fee of \$5/mo.
- All other costs paid from investment earnings at 1 ¾%, annually.
- Net earnings credited daily
- The Montana VEBA is a health reimbursement account with investment earnings
- Many members' investment choices reduce monthly costs.



# Eligible Employee Groups

- Collectively bargained groups that currently exist
- Non-Represented groups
- Other groups defined as a Sub-unit (must have at least 2 members)
- Recommend using existing group boundaries
- All or none decision – ballot process
- Vote may be taken annually



# Visit the Website!

mt.gov  
Montana's Official Website

Montana VEBA HRA - Voluntary Employee Beneficiary Association

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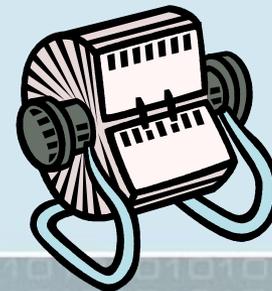
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mt.gov  
Montana's Official State Website

[www.montanaveba.org](http://www.montanaveba.org)

# Who to Call



For information

- **444-3745 Melanie Denning - [mdenning@mt.gov](mailto:mdenning@mt.gov)**
- **Agency Payroll/H.R. staff**

