

Health
Reimbursement
Account Guide



HRA eligibility and coverage

age 64 or younger

Retiree/Surviving Spouse

- If you are age 64 or younger, you continue existing coverage under the Caterpillar-sponsored group health plan by paying the applicable premiums until you turn age 65.
- When you reach age 65, your coverage under the Caterpillar-sponsored group health plan ends.
- You will receive information from ViaBenefits approximately three months before you reach age 65 to begin the enrollment process and establish your HRA account.

your Spouse

- Your spouse will continue coverage on a Caterpillar-sponsored group health plan by paying the applicable premiums if he/she is age 64 or younger and continues to meet all eligibility requirements.
- When your spouse becomes age 65 or older, coverage under the Caterpillar-sponsored group health plan will end.
- Your spouse will receive information from ViaBenefits approximately three months before he/she reaches age 65 to begin the enrollment process to establish his/her HRA account.

age 65 or older

Retiree/Surviving Spouse

- As you approach age 65, you will lose coverage under the Caterpillar-sponsored group health plan at the end of the month prior to the month you turn age 65. Note: If your birthday is on the first of a month you actually become eligible for Medicare the first of the month prior. Ex: March 1 birthday, Medicare eligible on February 1, loss of coverage under the Caterpillar sponsored-group health plan at the end of January.
- Once you enroll in individual coverage through ViaBenefits, an HRA account will be established for you.
- Benefit dollars will be placed in the HRA account once it has been established.

your Spouse

- As your spouse approaches age 65, ViaBenefits will mail a packet to explain next steps. Your spouse will lose coverage under the Caterpillar-sponsored group health plan at the end of the month prior to the month he/she turns age 65.
Note: If your spouse's birthday is on the first of a month he/she actually become eligible for Medicare the first of the month prior. Ex: March 1 birthday, Medicare eligible on February 1, loss of coverage under the Caterpillar sponsored-group health plan at the end of January.
- Once your spouse enrolls in coverage through ViaBenefits, an HRA account will be established for your spouse.
- Benefit dollars will be placed in the HRA account once it has been established.

applies to both age groups

your dependent(s)

- Dependent children will remain eligible for existing Caterpillar-sponsored group health plan as long as they meet the plan's eligibility criteria.
- Disabled dependent children are eligible for the existing Caterpillar-sponsored group health plan until age 65. At age 65, they will become ineligible for existing coverage, but will be able to receive the services provided by ViaBenefits. An HRA account will not be established for the disabled dependent child.
- For additional eligibility related to this benefit, reference your Summary Plan Description located in Your Resource Library at cathealthenrollment.bswift.com

How Health Reimbursement arrangements work



examples of HRA-eligible expenses

- Premiums for Medicare Part B and Part D
- Premiums for Medigap or Medicare Advantage coverage (Part C)
- Dental and vision premiums
- Dental and vision expenses not covered by insurance
- Out-of-pocket expenses like deductibles, medical co-pays and your share of coinsurance
- For a complete list of HRA-eligible expenses, go to www.irs.gov/publications/p502/index.html or call the IRS at 800-829-3676 and request Publication 502 – Medical and Dental Expenses

A Health Reimbursement Arrangement (HRA) is an employer-provided health plan in which an account is established for each plan participant.

- When you enroll in individual insurance coverage through ViaBenefits, an HRA account will be established for you and benefit dollars will be allocated to the account.
- You can use the funds in your account to be reimbursed for premiums and/or your share of eligible healthcare expenses during the year. You decide how to use the benefit dollars in your HRA account.
- If you have an eligible spouse, you and your spouse will have separate HRA accounts, however, both you and your spouse may claim eligible expenses from each other's account.
- An annual allocation will be made to the account. You will also be able to roll over unused benefit dollars from year-to-year, allowing you to accumulate dollars for future use.

Establishing your HRA

Once the eligible retiree/surviving spouse or spouse enrolls in individual coverage through ViaBenefits, an HRA account will be established for each eligible retiree/surviving spouse or spouse. Caterpillar will allocate each account with benefit dollars. At the beginning of each subsequent year, Caterpillar will allocate additional benefit dollars to each individual's HRA.

Note: *You are only required to select one plan through ViaBenefits Health to establish your HRA account—medical, dental, prescription drug or vision coverage. You do not have to enroll in all of them. However, if you choose not to enroll in a medical or prescription drug plan immediately following the end of your group coverage with Caterpillar, pre-existing conditions may affect your ability to obtain coverage when you sign up for a medical plan in the future or you may incur premium penalties when signing up for a prescription drug plan.*

Once your HRA account is initially established by enrolling in individual coverage through ViaBenefits, you do not have to enroll in coverage through ViaBenefits in following years to receive your annual allocation of benefit dollars.

HRA funding



Funding formula basics

- The amount allocated to the HRA will be a percentage of the maximum annual benefit based on a funding formula.
- The factors of the calculation (age and years of service) are only represented in whole years and must be attained to count in the calculation. Partial years are not applicable in the calculation.
- Credited Service means your “credited benefit service” under the Caterpillar pension plan. Typically your credited service time will be the same or close to your service time.

Funding formula

4% *times* each full year of age **between age 50 and age 65** of the eligible retiree *times* the maximum benefit dollar amount determined for the plan year; *plus*

4% *times* each full year of credited service earned by the eligible retiree **between 20 and 30 years** *times* the maximum benefit dollar amount determined for the plan year.

example of active employee at retirement

Age 60	4% x 10 years = 40%
25 years of service	4% x 5 years = <u>20%</u>
	60%

Maximum benefit dollars for 2010	\$ 3,000
Benefit dollars	\$ 60% 1,800

Note: Employees who are at least 65 years old with at least 30 years of credited service at the time of retirement will be eligible for 100% of the maximum annual benefit.



In the event that the content of this document or any oral representations made by any person regarding Caterpillar's employee benefit plans and programs conflict with or are inconsistent with the provisions of the governing plan documents, the provisions of the plan documents are controlling. You are neither vested in your retiree healthcare benefits nor does Caterpillar intend to vest you in your retiree healthcare benefits. To the fullest extent permitted by law, Caterpillar has reserved the right to amend, modify, suspend, replace or terminate any of its plans, policies or programs (including the HRA), in whole or in part, at any time and for any reason, by appropriate company action. For example, Caterpillar may, at any time, increase, decrease or eliminate the amount that is allocated to your HRA account each year.

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