

COMPLIANCE OVERVIEW

Provided by Cowden Associates, Inc.

Comparing Different Types of HRAs

Health reimbursement arrangements (HRAs) are employer-funded accounts that reimburse employees for their eligible out-of-pocket medical expenses on a tax-favored basis. Although HRAs provide significant tax benefits, they are subject to strict plan design rules. However, a [final rule](#) expands the use of HRAs, effective for plan years beginning on or after Jan. 1, 2020. Beginning in 2020, the different types of available HRA plan designs are:

- ✓ HRAs integrated with group health plans (GHP-HRAs);
- ✓ Individual coverage HRAs (ICHRAs) – *effective for 2020*;
- ✓ Excepted benefit HRAs (EBHRAs) – *effective for 2020*;
- ✓ Qualified small employer HRAs (QSEHRAs)
- ✓ HRAs that only pay excepted benefits; and
- ✓ Retiree-only HRAs.

The following chart compares key features of the different types of HRAs.

LINKS AND RESOURCES

- [IRS Notice 2013-54](#) and [DOL Technical Release 2013-03](#) (guidance on GHP-HRAs)
- [Final rule](#) that expands options for HRAs, effective Jan. 1, 2020

This Compliance Overview is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.

HIGHLIGHTS

TYPES OF HRAS

- **GHP-HRA** – This HRA must be integrated with the employer’s group health plan and meet certain other requirements.
- **ICHRA** – Employers of all sizes may use this new type of HRA to reimburse individual health insurance premiums (subject to certain requirements).
- **EBHRA** – This new type of HRA can offer a limited benefit of \$1,800 per year (as adjusted).
- **QSEHRA** – This type of HRA can be used by small employers to reimburse individual health insurance premiums.
- **HRA that only pays excepted benefits** – This type of HRA only pays for excepted benefits, such as limited-scope dental and vision coverage.
- **Retiree-only HRA** – This type of HRA can only provide benefits to former employees.

COWDEN

444 Liberty Avenue, Suite 605
Pittsburgh, PA 15222
Ph: 412.394.9330
Website: www.cowdenassociates.com

HRA COMPARISON CHART

	GHP-HRA	ICHRA	EBHRA	QSEHRA	HRA – Pays Excepted Benefits	Retiree-only HRA
Eligible Employers	Employers that offer a group health plan (GHP)	All employers (but cannot offer a GHP and ICHRA to the same class of employees)	Employers that offer a GHP	Employers that are not applicable large employers (ALEs) and do not offer a GHP to any employees	All employers	All employers
Eligible Employees	Employees (and their spouses and dependent children) who are covered under the GHP	Employees (and their spouses and dependent children) who are enrolled in individual health insurance coverage or Medicare	Must be offered GHP coverage (not required to enroll)	All employees, except may exclude collectively bargained employees, seasonal or temporary employees, employees younger than age 25 and nonresident aliens without U.S.-based income	Any employees	Former employees (retirees) Although amounts may be credited while individuals are current employees, only expenses after retirement may be reimbursed
Eligible Expenses <i>All HRAs are limited to reimbursing Code Section 213(d) medical expenses, but each type also has its own rules for eligible expenses</i>	If the employer’s GHP meets the minimum value (MV) requirement, the HRA may reimburse all qualifying medical care expenses If the	Medical care expenses, including premiums for individual health insurance policies and Medicare premiums Covered employees and	Medical care expenses, except <u>cannot</u> reimburse: premiums for individual health insurance coverage, premiums for coverage under a GHP (other	Medical care expenses, after the employee provides proof of minimum essential coverage Can reimburse premiums for individual health insurance	Excepted benefits, such as limited-scope dental or vision coverage	Medical care expenses after retirement, including premiums for individual health insurance and Medicare

	GHP-HRA	ICHRA	EBHRA	QSEHRA	HRA – Pays Excepted Benefits	Retiree-only HRA
	<p>employer’s GHP does not provide MV, the HRA may reimburse cost-sharing under the GHP and non-essential health benefits (EHB)</p> <p>These HRAs cannot reimburse premiums for individual health insurance policies. These HRAs may reimburse Medicare premiums, if certain integration requirements are met</p>	<p>dependents must substantiate that they have individual health insurance (or Medicare) coverage</p>	<p>than COBRA or continuation), or Medicare Parts B or D</p>	<p>policies</p>		
Other Design Requirements	<p>The HRA may be available only to employees (and their spouses and dependent children) who are enrolled in the GHP</p>	<p>Cannot offer the same class of employees a GHP and ICHRA</p> <p>Must offer the ICHRA on the same terms to all employees within a class of employees,* except the maximum benefit may</p>	<p>Must be available on the same terms to all similarly situated employees without regard to health factors</p>	<p>Must be provided on the same terms to all eligible employees. However, the maximum benefit may vary based on age and family size</p>	<p>Must only reimburse excepted benefits (such as limited-scope dental and vision benefits)</p>	<p>Only available to former employees (and their spouses and dependent children)</p>

COMPLIANCE OVERVIEW

	GHP-HRA	ICHRA	EBHRA	QSEHRA	HRA – Pays Excepted Benefits	Retiree-only HRA
		vary based on age and number of covered dependents				
Annual Opt-Out Requirement?	Yes – Employees must be offered the opportunity to opt out at least annually	Yes – Employees must be permitted to opt out. In general, this opportunity must be provided in advance of each plan year	No	No – Eligible employees cannot be allowed to waive coverage	No	No
Annual Limit?	No annual limit	No annual limit	Yes - \$1,800 (for 2020) – this limit is indexed annually for inflation	Yes - \$5,250 for self-only coverage and \$10,600 for family coverage (2020 limits) – these limits are indexed annually for inflation	No annual limit	No annual limit
Other Coverage Requirements	HRA can only reimburse the medical expenses of individuals (including dependents) who are actually enrolled in the GHP	Must be enrolled in individual health insurance coverage (or Medicare) and substantiate (or verify) this coverage. Substantiation is required	None	Before reimbursing expenses, employee must provide proof that he or she has minimum essential coverage. Model language is available in IRS	None	None

COMPLIANCE OVERVIEW

	GHP-HRA	ICHRA	EBHRA	QSEHRA	HRA – Pays Excepted Benefits	Retiree-only HRA
		before the first day of the plan year and before each payment. A model substantiation form is available		Notice 2017-67		
Annual Written Notice Requirement?	No specific annual notice requirement	Yes, must provide a written notice to eligible employees at least 90 days before the start of the plan year. A model notice is available for employers to use	No specific annual notice requirement	Must provide a written notice to each eligible employee at least 90 days before the beginning of the plan year. Sample language is available in IRS Notice 2017-67	No specific annual notice requirement	No specific annual notice requirement
Impact Eligibility for Premium Tax Credit (under ACA)?	Yes	Yes	No	Yes	No	No
Impact on HSA Eligibility?	Covered individuals are ineligible for HSA contributions if the HRA is a general purpose HRA (that is, it reimburses medical care	Does not impact HSA eligibility if HRA only pays for individual health insurance premiums. If the ICHRA reimburses medical care	Does not impact HSA eligibility	Does not impact HSA eligibility if HRA only pays for individual health insurance premiums. If the QSEHRA reimburses medical care	Does not impact HSA contributions	Covered individuals are ineligible for HSA contributions if the HRA is a general purpose HRA (that is, it reimburses medical care

	GHP-HRA	ICHRA	EBHRA	QSEHRA	HRA – Pays Excepted Benefits	Retiree-only HRA
	expenses before the HDHP deductible is reached)	expenses before HDHP deductible is reached, covered individuals will be ineligible for HSA contributions		expenses before HDHP deductible is reached, covered individuals will be ineligible for HSA contributions		expenses before the HDHP deductible is reached)

*As a general rule, employers must offer the ICHRA on the same terms to all employees in a class. Permissible employee classes include: full-time employees, part-time employees, salaried employees, non-salaried employees, seasonal employees, collectively bargained employees, employees in a waiting period, temporary employees, employees whose primary employment site is in the same rating area; nonresident aliens without U.S.-based income; and any group of employees formed by combining two or more of these classes. Minimum class size requirements may apply, depending on the classes used.