Health Reimbursement Arrangements (HRAs)

The following chart provides a general overview of the major different types of HRAs that employers can offer.

	Traditional HRA	Qualified Small Employer HRA (QSEHRA)	Individual Coverage HRA	Excepted Benefit HRA*
What is it?	Tax-advantaged employer health insurance plan that reimburses employee qualified medical expenses.	Tax-preferred small employer arrangement that pays or reimburses employee qualified medical expenses.	A new type of HRA that can be offered for plan years **beginning in 2020**, as an alternative to traditional group health plan coverage.	A new type of HRA that can be offered in addition to traditional group health coverage, for plan years **beginning in 2020**.
What are some advantages to it?	• No federal income tax or employment tax on contributions. • Employees are reimbursed tax-free for qualified medical expenses. • Unused amounts can be carried over from year to year at employer's discretion.	• No federal income tax on payments or reimbursements if the employee has minimum essential health coverage. • Reimbursements or payments may be made immediately when the employee becomes eligible to participate. • Unused amounts can be carried over from year to year, so long as an employee's total permitted benefit does not exceed the limits detailed below.	• No federal income tax or employment tax on employer contributions. • Employees are reimbursed tax-free for qualified medical expenses. • Unused amounts can be carried over from year to year at employer's discretion.	• Exempt from many federal health care requirements. • Employees do not have to enroll in the traditional group health plan (or in any other coverage) to use. • Employees are reimbursed tax-free for certain medical expenses. • Unused amounts can be carried over from year to year at employer's discretion.
What expenses can it be used to pay?	Expenses that generally qualify for the medical and dental expenses deduction, but not including amounts paid for individual health insurance premiums.	Expenses that generally qualify for the medical and dental expenses deduction, **including individual health insurance premiums**.	Expenses that generally qualify for the medical and dental expenses deduction, **including individual health insurance premiums**.	Generally may reimburse medical care expenses, **including premiums for excepted benefits**, such as dental and vision coverage. However, it **cannot** reimburse

				individual or group health insurance premiums (other than COBRA).
Which employees can have it?	Those enrolled in non-HRA group medical coverage.	All active employees, except 2% shareholders. However, employers may exclude employees who: • Have not completed 90 days of service; • Are under age 25; or • Are part-time or seasonal.	Those enrolled in individual health coverage that substantiate (or verify) this coverage.	All employees that are offered group health coverage (enrollment not required).
Who can contribute to it?	Only employers.	Only employers.	Only employers.	Only employers.
How much can be contributed to it?	Any amount.	For plan years beginning in 2020, up to $5,250 per employee and $10,600 per family ($5,150 and $10,450, respectively, for plan years beginning in 2019).	Any amount.	Up to $1,800, indexed for inflation for plan years beginning after December 31, 2020.
What are key employer/plan design requirements?	1. Have a written Plan Document. 2. Distribute a Summary Plan Description (SPD) within 90 days of the employee becoming a plan participant. 3. Employer contributions must meet the Section 105(h) nondiscrimination requirements. 4. Traditional HRAs must be integrated with a group health plan. Violations of this requirement can lead to **penalties of up to $100 per day per**	1. Have a written Plan Document. 2. Distribute a Summary Plan Description (SPD) within 90 days of the employee becoming a plan participant. 3. Must **not** be an applicable large employer (ALE) under the Affordable Care Act (ACA). 4. Cannot offer any other health, dental, or vision plan. 5. Must provide—not simply offer—the QSEHRA	1. Have a written Plan Document. 2. Distribute a Summary Plan Description (SPD) within 90 days of the employee becoming a plan participant. 3. Must offer the HRA on the same terms to all individuals within a class of employees (with limited exceptions). 4. Cannot offer the HRA to any employee that is offered a	1. Have a written Plan Document. 2. Distribute a Summary Plan Description (SPD) within 90 days of the employee becoming a plan participant. 3. Must be offered in conjunction with a traditional group health plan (although employees are not required to enroll in it).

	employee. Click here for more information. 5. Must allow participants to opt out of and waive future reimbursements from the HRA annually.	on the same terms to all eligible employees. **Employees cannot waive participation in a QSEHRA**. 6. Must provide all eligible employees with a **written notice** at least 90 days before the beginning of each plan year. 7. Must obtain proof that the person whose expense is being paid or reimbursed has minimum essential coverage both annually and with each reimbursement. 8. Must report the employee's permitted benefit in **box 12 of his her Form W-2 using code FF**.	traditional group health plan. 5. Must allow participants to opt out of and waive future reimbursements from the HRA annually. 6. Must establish reasonable procedures to substantiate that participating employees and their families are enrolled in individual health coverage while covered by the HRA--both annually and with each reimbursement. 7. Must provide eligible employees with a **written notice** at least 90 days before the beginning of each plan year.	4. Must be uniformly available to all similarly situated individuals (as defined under HIPAA, which generally permits bona fide employment-based distinctions unrelated to health status).
Is it subject to COBRA?	Yes. If an employee elects COBRA coverage, his or her Traditional HRA must: • Continue at the maximum reimbursement amount applicable at the time of the COBRA qualifying event; and • Increase at the same time and by the same increment that Traditional HRA reimbursement	No.	Yes. Individuals that lose coverage under the HRA for reasons other than failing to maintain individual coverage may qualify for COBRA.	No, but the excepted benefit HRA may be used to reimburse COBRA or other group continuation coverage premiums.

	amounts are increased for similarly situated non-COBRA Traditional HRA participants.			
Where can I learn more?	• IRS Publication 969 • DOL Guidance • DOL FAQs	• IRS Notice 2017-67	• Final Rules • FAQs	• Final Rules • FAQs

*Note that the new **Excepted Benefit HRA** is not the same as an **HRA that only reimburses expenses for excepted benefits** (for example, limited-scope vision and limited-scope dental benefits, or retiree-only HRAs, which are not included in the chart above). Excepted Benefit HRAs can provide reimbursement for costs incurred related to coverage that is not limited to excepted benefits (for example, cost sharing for individual health insurance coverage), if certain conditions are satisfied. An HRA that only reimburses expenses for excepted benefits need not satisfy these conditions (e.g., the requirement to offer a traditional group health plan).