Health Reimbursement Arrangements

Verde
SERVICES

What is an HRA?

Health Reimbursement Accounts or Health Reimbursement Arrangements (HRAs) are employer-funded, tax-advantaged employer health benefit plans that reimburse employees for out-of-pocket medical expenses and individual health insurance premiums.

The employer sets aside a specific amount of pre-tax dollars for employees to pay for health care expenses on an annual basis. Based on the plan design, HRAs can generate significant savings in overall health benefits. The primary requirements for an HRA are that (1) the plan must be funded solely by the employer and cannot be funded by salary reduction, and (2) the HRA must be integrated with a group health plan if providing reimbursement for qualified medical expenses. HRAs may be designed in many fashions to suit the specific needs of employer and employees alike. It is one of the most flexible types of employee benefits plans, making it very attractive to most employers.

HRAs may be established to cover dental and/or vision expenses as well. These types of HRA plans are excepted from the ACA's market reform provisions as long as the dental and/or vision plans are provided under separate policies and not part of a group health plan.

Types of HRA Plan Design:

Integrated HRA

An integrated HRA is the most widely-known type of HRA health plan design. With an integrated HRA the business purchases a high deductible health plan to achieve savings with lower premiums (for example, they switch from a $500 deductible to a $2,500 deductible). The employer sets up an integrated HRA to reimburse employees for their additional medical expenses associated with raising the deductible. Following the example above, the integrated HRA would cover the difference between the old and new deductible ($2,000 annually). This type of HRA is generally designed to only reimburse out-of-pocket medical expenses related to the higher deductible and does not cover individual insurance premiums.

Cost-Sharing HRA

A cost-sharing HRA is designed for the business and employees to share in the cost of the benefit. This type of HRA health plan design can be incorporated into an integrated HRA or defined contribution HRA. The employer can add an HRA deductible, where employees are required to pay out-of-pocket a certain amount before the benefit kicks in. The employer can also add an HRA co-insurance, where the employer reimburses a portion of all eligible medical expenses, such as reimbursing 50% of the applicable medical deductible.

Qualified Small Employer HRA (QSEHRA)

The QSEHRA is available for Employers with NO sponsored group medical benefits and fewer than 50 employees. The funds can be used to cover the costs of individual health insurance premiums and to reimburse the out-of-pocket costs for the covered employee and their dependents’ health care expenses.

Limited Purpose HRA – Dental and /or Vision HRA

Employers can provide dental and/or vision benefits through an HRA as long as there is no current coverage provided under the group health plan. These type of HRAs are typically established when there is no underlying group dental and/or vision plan. This type of HRA allows employers to provide some benefit for these type of expenses.

Retiree HRA

A retiree HRA health plan is designed to reimburse employees only after retirement. The employer decides what types of medical expenses to reimburse. Eligibility for the HRA health plan is limited to retired employees. A retiree HRA allows an employer to provide an extended benefit and can help older employees with health expenses in early retirement.

Wellness HRA

The health of employees is more important than ever. Employers are always searching for ways to help motivate employees to get healthy. With a Wellness HRA, employers can provide tax-free money to pay for qualified medical expenses for employees that complete specific activities. For example, they might give employees $100 into an HRA for getting a physical or $50 for taking a Health Risk Assessment.

Individual Coverage HRA (ICHRA)

The ICHRA is a newer approach to employer-sponsored health insurance that has several advantages over traditional group plans that may be appealing to employers of any size. Employees may use ICHRA funds for employee premiums for major medical insurance purchased in the individual market as well as other Code §213(d) medical expenses. In addition, an ICHRA removes the burden of managing health plan renewals, employee preferred doctor networks, or annual premium increases. With an ICHRA employers can decide which employees qualify, set their monthly allowances while employees get to choose and purchase the plans they want. The ICHRA contains some important rules and regulations that must be followed to stay compliant.

Excepted Benefit HRA (EBHRA)

The EBHRA allows employers of all sizes to reimburse their employees for certain medical expenses not covered by their health insurance plan. Employees may use EBHRA funds to pay for eligible out-of-pocket medical expenses they or their dependents may incur during the plan year (copays and deductibles, dental and vision insurance, COBRA continuation coverage, short-term limited duration insurance, and long-term care coverage). Employees do not have to enroll in their employer’s group health insurance plan in order to participate in the EBHRA

Verde SERVICES

3911 Castlevale Rd. #109 Yakima, WA 98902 | 866.204.1636 | support@verdeservices.com