

Health Reimbursement Arrangement (HRA)

KEY FEATURES FOR 2018



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Overview	
Account Description	Employer-established benefit plan that reimburses eligible employees for qualified medical expenses
Important Reminders for 2018	New annual limits on contributions to qualified small employer HRAs* (QSEHRAs), which can be used by eligible employers to reimburse employees for qualifying medical expenses, including individual health insurance premiums. Otherwise, an HRA must be "integrated"*** with other group health plan coverage in order to meet certain requirements under Health Care Reform (this does not include retiree-only HRAs and HRAs consisting solely of excepted benefits).
Potential Tax Benefits for Employees	<ul style="list-style-type: none"> • Employer contributions are excluded from gross income and are not subject to employment taxes • Reimbursements used to pay qualified medical expenses are not taxed
Employee Eligibility	
Who May Participate Note: Self-employed persons are not eligible for an HRA.	<p>To be "integrated"*** with other group health plan coverage, among other requirements, an HRA can be made available only to employees who are enrolled in non-HRA group coverage.</p> <p>QSEHRAs* must be provided on the same terms to all eligible employees (defined as any employee of an eligible employer). Employers may generally exclude employees who: have not completed 90 days of service; have not attained age 25; or are part-time or seasonal.</p> <p>HRAs may not discriminate in favor of highly compensated individuals as to eligibility to participate or benefits offered (IRC Section 105(h)).</p>
HDHP (High Deductible Health Plan) Coverage Required?	<p>No; however, in order to be "integrated"*** with other group health plan coverage, among other requirements, an HRA can be made available only to employees who are enrolled in non-HRA group coverage.</p> <p>However, employers wishing to establish a QSEHRA* cannot offer a group health plan to any of their employees, among other eligibility requirements.</p>
Contributions	
Who May Contribute	Only the employer may contribute
Pre-Tax Employee Contribution Allowed	No, funded solely through employer contributions
Limit on Contributions	<p>No limit on the amount of money an employer may contribute to an employee's HRA if the HRA is "integrated"*** with a group health plan that itself has no annual limits.</p> <p>For QSEHRAs*, annual payments and reimbursements must generally be limited to \$5,050 per employee or \$10,250 per family.</p>
Employer Participation	Employer contributions must not discriminate in favor of highly compensated individuals as provided by IRC Section 105(h)

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Distributions	
Distributions Allowed	Reimbursements under an HRA can only be made on a tax-free basis for qualified medical expenses to current and former employees (and their spouses and dependents), spouses and dependents of deceased employees, and to the employee's adult children under age 27 as of the end of the taxable year (regardless of whether the adult children qualify as a tax dependent of the employee)
Timing of Distributions	An HRA may not reimburse expenses for medical care incurred before the date the HRA is in existence or before the date an employee first becomes enrolled in the HRA
Qualified Medical Expenses	<p>Qualified medical expenses are those that generally would qualify as expenses for "medical care" as defined in IRC Section 213(d).</p> <p>For purposes of HRA reimbursement, qualified medical expenses include:</p> <ul style="list-style-type: none">• Amounts paid for long-term care coverage• Amounts that are not covered under another health plan <p>Note: In general, HRAs used for employees' individual insurance policy premiums violate both the annual dollar limit prohibition and preventive services requirements under Health Care Reform. However, an exception exists for QSEHRAs*.</p>
Other Issues	
Balance and Carryover	Amounts remaining in the HRA at the end of the year can generally be carried over to the next year. The employer is not permitted to refund any part of the balance to the employee.
Account Subject to COBRA?	Generally yes
Portable for the Employee?	No, the employer is the owner of the account

* [Federal law](#) now allows eligible small employers—generally those with **fewer than 50 full-time employees who do not offer a group health plan**—to offer "**qualified small employer HRAs**" to reimburse employees for qualified medical expenses, **including individual health insurance premiums**.

** An HRA will be integrated with a group health plan if it meets the requirements under either of two integration methods described in [agency guidance](#), as clarified by [ACA FAQs](#).

For More Information

Please review IRS [Publication 969](#) for a detailed explanation of HRAs, as well as IRS [Publication 15-B](#) for additional information regarding the tax treatment of these types of arrangements.

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