

# Health Reimbursement Arrangement (HRA)

## KEY FEATURES FOR 2019



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Overview	
<b>Account Description</b>	Employer-established benefit plan that reimburses eligible employees for qualified medical expenses.
<b>Important Reminders for 2019</b>	An HRA generally must be <b>"integrated"</b> * with other group health plan coverage in order to comply with federal regulations. However, an exception does exist for <a href="#">qualified small employer HRAs</a> (QSEHRAs).
<b>Potential Tax Benefits for Employees</b>	<ul style="list-style-type: none"> <li>• Employer contributions are excluded from gross income and are not subject to employment taxes</li> <li>• Reimbursements used to pay qualified medical expenses are not taxed</li> </ul>
Employee Eligibility	
<b>Who May Participate</b>	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.
<b>Note:</b> Self-employed persons are not eligible for an HRA.	In addition, under <a href="#">federal law</a> , HRAs may not discriminate in favor of highly compensated individuals as to eligibility to participate or benefits offered.
<b>HDHP (High Deductible Health Plan) Coverage Required?</b>	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.
Contributions	
<b>Who May Contribute</b>	Only the employer may contribute.
<b>Pre-Tax Employee Contribution Allowed</b>	No.
<b>Limit on Contributions</b>	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.
<b>Employer Participation</b>	Under <a href="#">federal law</a> , employer contributions must not discriminate in favor of highly compensated individuals.
Distributions	
<b>Distributions Allowed</b>	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).
<b>Timing of Distributions</b>	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.

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Distributions (Continued)	
<b>Qualified Medical Expenses</b>	<p>Qualified medical expenses are those that generally would qualify as expenses for "<a href="#">medical care</a>."</p> <p>For purposes of HRA reimbursement, qualified medical expenses include:</p> <ul style="list-style-type: none"><li>• Amounts paid for long-term care coverage; and</li><li>• Amounts that are not covered under another health plan.</li></ul> <p>However, with the exception of QSEHRAs, HRAs used for employees' individual insurance policy premiums violate federal regulations.</p>
Other Issues	
<b>Balance and Carryover</b>	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.
<b>Account Subject to COBRA?</b>	In general, yes.
<b>Portable for the Employee?</b>	No, the employer is the owner of the account.

\* 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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