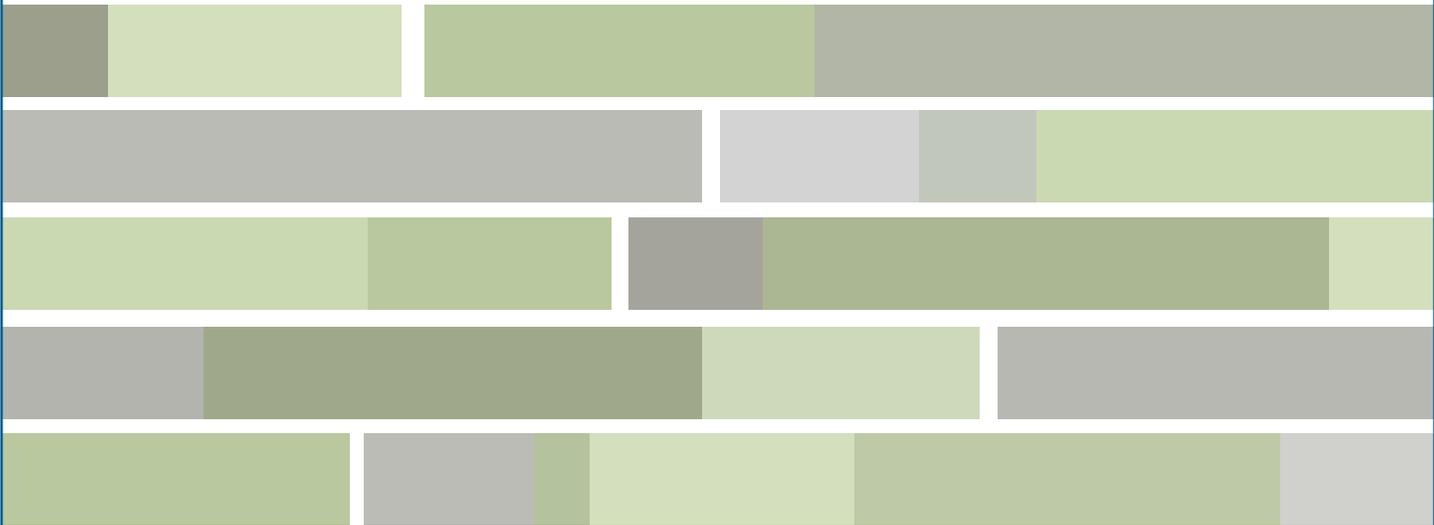


Health Reimbursement Arrangements (HRAs)

KEY FEATURES FOR 2021



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Overview		
Account Description	Employer-established benefit plan that reimburses eligible employees for qualified medical expenses.	
Types of HRAs that Employers Can Offer in 2021	HRA that is "integrated" with other group health plan coverage (GHP-HRA)	Qualified Small Employer HRA (QSEHRA)
	Individual Coverage HRA (ICHRA)	Excepted Benefit HRA (EBHRA)
	HRA that pays only excepted benefits	Retiree-Only HRA
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. 	
Employer Eligibility		
Who May Sponsor	GHP-HRA: Employers that have group health plans with which the HRA is integrated. An HRA will be integrated with the group health plan if it meets the requirements under either of two integration methods described in agency guidance , as clarified by ACA FAQs .	
	ICHRA: All employers (but cannot offer a group health plan and ICHRA to the same class of employees).	
	EBHRA: Employers that offer a group health plan.	
	QSEHRA: Employers that are not applicable large employers (ALEs) and do not offer a group health plan to any employees.	
	HRA – Pays Excepted Benefits: All employers.	
	Retiree-Only HRA: All employers.	
Employee Eligibility		
Who May Participate	<p>GHP-HRA: Employees who are enrolled in non-HRA group coverage.</p> <p>ICHRA: Employees who are enrolled in individual health insurance coverage or Medicare and that substantiate (or verify) this coverage.</p> <p>EBHRA: Employees that are offered group health plan coverage (enrollment not required).</p> <p>QSEHRA: 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.</p> <p>HRA – Pays Excepted Benefits: Any employees.</p> <p>Retiree-Only HRA: Former employees (retirees). Although amounts may be credited while individuals are current employees, only expenses after retirement may be reimbursed.</p> <p>In addition, under federal law, HRAs may not discriminate in favor of highly compensated individuals as to eligibility to participate or benefits offered.</p>	
	Note: Self-employed persons are not eligible for an HRA.	

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Contributions	
Who May Contribute	Only the employer may contribute, and such contributions must not discriminate in favor of highly compensated individuals. Pre-tax employee contributions are not permitted.
Limit on Contributions	<p>No Limit: GHP-HRA, ICHRA, HRA that pays only excepted benefits, retiree-only HRA.</p> <p>EBHRA Limit: \$1,800 for 2021 (indexed annually for inflation).</p> <p>QSEHRA Limit: \$5,300 for self-only coverage and \$10,700 for family coverage for 2021 (indexed annually for inflation).</p>
Distributions	
Distributions Allowed	All HRAs are limited to reimbursing Internal Revenue Code Section 213(d) medical expenses, but each type also has its own rules for eligible expenses.
Eligible Expenses	<p>GHP-HRA: If the employer's GHP meets the minimum value (MV) requirement, the HRA may reimburse all qualifying medical care expenses. If the GHP does not provide MV, the HRA may reimburse cost-sharing under the GHP and non-essential health benefits. These HRAs <u>cannot</u> reimburse premiums for individual health insurance policies, but <u>may</u> reimburse Medicare premiums if certain integration requirements are met.</p> <p>ICHRA: Medical care expenses, including premiums for individual health insurance policies and Medicare premiums.</p> <p>EBHRA: Medical care expenses, except <u>cannot</u> reimburse: premiums for individual health insurance coverage; premiums for coverage under a GHP (other than COBRA or continuation); or Medicare Parts B or D.</p> <p>QSEHRA: Medical care expenses, after the employee provides proof of minimum essential coverage. Can reimburse premiums for individual health insurance policies.</p> <p>HRA – Pays Excepted Benefits: Excepted benefits, such as limited-scope dental or vision coverage.</p> <p>Retiree-Only HRA: Medical care expenses, including premiums for individual health insurance and Medicare.</p>
Other Design Requirements	
Annual Opt-Out Requirement?	<p>Yes: GHP-HRA (employees must be offered the opportunity to opt out at least annually) and ICHRA (employees must be permitted to opt out, generally in advance of each plan year).</p> <p>No: EBHRA, HRA that pays excepted benefits, retiree-only HRA, QSEHRA. For QSEHRA, eligible employees cannot be allowed to waive coverage.</p>
Annual Written Notice Requirement?	<p>Yes: Employers offering ICHRAs or QSEHRAs must provide a written notice to eligible employees at least 90 days before the beginning of the plan year. A model ICHRA notice is available. While no model QSEHRA notice is provided by the federal government, a sample notice may be used for general reference purposes.</p> <p>No: GHP-HRA, EBHRA, HRA that pays excepted benefits, retiree-only HRA.</p>

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For More Information

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

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