



Health Reimbursement Arrangements (HRA) for employers

What is it?

- Tax-advantaged employer plan that reimburses employees for medical expenses.

What are some advantages to it?

- No federal income tax or employment tax on contributions.
- Tax-free distributions for qualified medical expenses.
- Funds 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 traditional health insurance premiums.

Which employees can have it?

- Those enrolled in non-HRA group medical coverage and eligible under the rules of the plan, subject to the Section 105(h) nondiscrimination rules.

Who can contribute to it? Only employers.

How much can be contributed to it? Any amount.

Can employees carry over funds from year to year? Yes, if allowed by the employer.

Is it portable for the employee? No.

What requirements must an employer satisfy?

- Have a written plan document.
- Distribute a summary plan description (SPD) within 90 days of the employee becoming a plan participant.
- Employer contributions must meet the Section 105(h) nondiscrimination requirements.
- Traditional HRAs generally must be offered along with a traditional group health plan. Violations of this requirement can lead to penalties of up to \$100 per day for each employee.
- Must substantiate all reimbursement claims.
- Must annually file IRS Form 720 and pay PCORI fees by July 31, 2022.

Can employers offer or contribute to it without also offering a group health plan? Generally, no.

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.
 - Increase at the same time and by the same increment that traditional HRA reimbursement amounts are increased for similarly situated non-COBRA traditional HRA participants.