



# 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.