Health Reimbursement Arrangements (HRAs)

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Introducing HRAs

- The employer coverage section starts with a lengthy description (and accompanying help text) describing HRAs.
- Distinguishes HRAs from traditional health coverage through a job.
Health Reimbursement Arrangements (HRAs)

• An HRA is an employer-funded, tax-free employee account for reimbursement of medical expenses
  → In general, this can be deductibles, copayments, and other expenses, according to terms set by the employer. This presentation focuses on premiums.

• Employers can offer different types of HRAs:
  → HRA: works with employer-sponsored group coverage
  → QSEHRA: works with individual market coverage
  → ICHRA: works with individual market coverage

• We’ll cover:
  → Types of HRAs and how to distinguish them
  → How HRAs affect premium tax credit eligibility

//Note:
• The HealthCare.gov application asks lots of questions about HRAs, but they aren’t that common
• If you’re new to premium tax credits, please see this presentation first: Health Reform: Beyond the Basics – Premium Tax Credits
## Types of HRAs

<table>
<thead>
<tr>
<th>Type of HRA</th>
<th>How it Works</th>
<th>How It’s Treated on HC.gov Application</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HRAs Offered in Coordination with a Traditional Job-Based Plan</strong></td>
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</tr>
<tr>
<td>HRA integrated with traditional employer plan</td>
<td>Can only be provided if employee enrolls in traditional employer health coverage.</td>
<td>If the employee is offered traditional employer health coverage, subtract the employee-only HRA amount from the cost of employee-only employer coverage.</td>
</tr>
<tr>
<td>Excepted Benefit HRA</td>
<td>Can only be offered with a traditional employer plan. Pays for separate benefits (i.e., dental).</td>
<td>No effect on APTC eligibility.</td>
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<td><strong>HRAs Offered in Place of a Traditional Job-Based Plan</strong></td>
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<tr>
<td>Individual Coverage HRA (ICHRA)</td>
<td>Can be used to pay individual market premiums. Employee must enroll in individual market coverage. Cannot be offered with traditional employer coverage.</td>
<td>No APTC is allowed if the ICHRA makes Marketplace coverage affordable. Answer application’s ICHRA questions using information from the employer’s ICHRA notice.</td>
</tr>
<tr>
<td>Qualified Small Employer HRA (QSEHRA)</td>
<td>Can be used to pay individual market premiums. Cannot be offered with traditional employer coverage.</td>
<td>No APTC is allowed if the QSEHRA makes Marketplace coverage affordable. Complete a QSEHRA worksheet at HealthCare.gov using the employer’s notice. If the QSEHRA does not make Marketplace coverage affordable, reduce the maximum APTC by the QSEHRA amount.</td>
</tr>
</tbody>
</table>
HRAs Offered in Coordination with a Traditional Job-Based Plan
HRA Integrated with a Traditional Group Coverage

• Integrated HRA
  → Employer reimbursement paired with the employer’s group coverage
  → When entering what the person would pay for their employer plan in the Marketplace application, reduce the employee contribution (“self-only premium”) by the HRA amount to see if the employer coverage is affordable.

How much would Jane pay for themselves for the lowest-cost health plan at ABC Co?
Enter the self-only premium amount for Jane, even if they aren't enrolled in coverage.
Learn more about entering premium amounts.

$ 100

How often would Jane pay this amount?
- Weekly
- Every 2 weeks
- Twice a month
- [ ] Monthly
- Quarterly
- Yearly

Learn more about entering premium amounts

Enter the regular amount the employee would have to pay for coverage (the "premium"), even if they aren't enrolled in coverage.

Enter the amount of the lowest-cost plan offered by the employer that would cover the employee only. Don't include information for household coverage.

If the employer has wellness programs Enter the premium this person would pay if they got the maximum discount for any tobacco cessation programs (counseling to stop smoking), but no other programs.

If the employee is offered an HRA If the employer offers an amount through a Health Reimbursement Arrangement (HRA), the employee can use this amount to pay their premiums.

Subtract the self-only HRA amount from the self-only premium amount. Enter that amount here.

These amounts should be listed in a notice from the employer. But, if you don’t have a notice or you’re not sure what these amounts are, ask the employer.
Example: HRA Integrated with Traditional Group Coverage

Is JJ’s employer coverage affordable?

→ JJ’s monthly self-only premium for employer coverage is $400. Monthly family coverage is $800.

→ His employer puts $300/month in an HRA for self-only coverage or $500/month in an HRA for family coverage.

→ When entering his premium on the application, enter $100 ($400 self-only premium minus the $300 self-only HRA).

→ The Marketplace application will determine if his employer-sponsored coverage is affordable.

⚠️ Note: The affordability determination will be the same (subtracting $300 from $400) even if he enrolls in family coverage. Employer coverage affordability only considers the cost of self-only coverage and the self-only HRA (family glitch). You can disregard information about a family’s HRA.
An EBHRA is an HRA offered alongside a traditional job-based plan. Employees can take the EBHRA whether they enroll in the group plan or not. The maximum employer contribution is $1,800, which can be used to pay certain medical expenses:

- Cannot be used to pay premiums for individual or group coverage or Medicare but can be used for things like deductibles, copays, or dental or vision coverage
- Can be used to buy short-term plans

**Note:** EBHRAs don’t factor into the application but the employer-sponsored plan offered alongside it does, whether the employee enrolls or not.
QSEHRAs and ICHRAs Offered Instead of Traditional Job-Based Coverage
QSEHRAs

- **Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)**
  
  → A small employer (<50 workers) can fund a tax-free employee account for reimbursement of medical expenses, including a Marketplace plan
  
  → To determine if coverage is affordable, follow the instruction on [this worksheet](#). For more information, see the [QSEHRA page](#) on HealthCare.gov.

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<td>With the employer QSEHRA contribution, the SLCSP costs <em>less than</em> 9.83% of household income</td>
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- The employee (and family) can enroll in Marketplace coverage (or coverage outside the Marketplace)
- No APTC is permitted

- The employee (and family) can enroll in Marketplace coverage (or coverage outside the Marketplace)
- HealthCare.gov will calculate the APTC
- The enrollee must reduce the maximum APTC (as calculated by HealthCare.gov) by the employee-only or family QSEHRA amount (as applicable) to avoid getting too much APTC
QSEHRA Example: Employer Coverage is Affordable

JJ works for a small employer that funds a QSEHRA with $2,400 ($200/month) for an employee or $4,800 ($400/month) for a family.

- Income: $26,000 (204% FPL for a household of 1)
- Affordability threshold for employer coverage: 9.83% of income ($2,556/year, $213/month)
- Benchmark plan (SLCSP): $4,000/year ($333/month)

Is JJ’s QSEHRA affordable? **YES**

- $333 SLCSP – $200 QSEHRA = $133 employee contribution toward benchmark coverage. This is less than the affordability threshold of $213/month.
- The QSEHRA is affordable employer-sponsored coverage. JJ can enroll in Marketplace coverage but is not eligible for APTC (or he can enroll in off-Marketplace coverage).
- **Note:** Employer coverage affordability only considers the cost of self-only coverage and the self-only HRA (family glitch). You can disregard information about a family’s HRA.
How will JJ know if his QSEHRA is affordable?

- Complete the worksheet on HealthCare.gov. This walks through the affordability calculation.
  

- If the plan is affordable with the QSEHRA: No APTC. In the HealthCare.gov application, say they aren’t applying for financial assistance or reduce APTC to zero.

- If the plan is not affordable: They may be eligible for APTC but need to reduce the monthly amount by the value of the QSEHRA (family QSEHRA, if offered).
John works for a small employer that funds a QSEHRA with $2,400 ($200/month) for an employee or $4,800 ($400/month) for a family.

- Income: $26,000 (204% FPL for a household of 1)
- Affordability threshold for employer coverage: 9.83% of income ($2,556/year, $213/month)
- Benchmark plan: $12,000/year ($1,000/month)

Is John’s QSEHRA affordable? **NO**

→ John’s monthly contribution is $800 ($1,000 benchmark – $200 QSEHRA). This is greater than his affordability threshold of $213/month.

→ John does not have affordable employer-sponsored coverage and can enroll in Marketplace coverage with APTC.

His premium using the QSEHRA ($800) is greater than 9.83% of income ($213) so the employer’s coverage is not affordable. He’s eligible for APTC.
John works for a small employer that funds a QSEHRA with $2,400 ($200/month) for an employee or $4,800 ($400/month) for a family.

- Income: $26,000 (204% FPL for a household of 1)
- His employer-sponsored coverage is **unaffordable** (previous slide)
- **Expected contribution for Marketplace coverage**: 6.66% of income ($1,732/year, $144/month)
- Benchmark plan: $12,000/year ($1,000/month)

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### Determination of Standard APTC

**Determined by HealthCare.gov**

- **$1,000** SLCSP
- **$144** John’s Income-based Share
- **$856** Max APTC before QSEHRA

### Determination of APTC after QSEHRA

**Consumer must subtract QSEHRA amount from HealthCare.gov-calculated APTC**

- **$200** John’s QSEHRA Amount
- **$656** John’s Allowable APTC

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### What is John’s APTC?

- John’s maximum allowable APTC is $656/month. This is the standard APTC formula minus his available QSEHRA contribution. *It’s the enrollee’s responsibility to subtract the QSEHRA amount from the allowable APTC. (If there is a family offer, subtract the family QSEHRA from the APTC.)*
**New! Individual Coverage Health Reimbursement Arrangement (ICHRA)**

- Employer reimbursement paired with individual market coverage
- Open to employers of any size
- The HealthCare.gov application will determine if the employer’s ICHRA contribution makes coverage affordable based on the lowest-cost silver plan (LCSP)

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<td>The self-only LCSP costs <strong>less than</strong> 9.83% of household income after subtracting the employer’s ICHRA contribution</td>
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- The employee must enroll in individual coverage to use the ICHRA.
- If the ICHRA covers only the employee, no APTC is permitted for the employee but might be permitted for the family.
- If the ICHRA covers the employee and family, coverage is affordable for the family if it’s affordable for the employee (family glitch).

- The employee can enroll in Marketplace coverage with APTC if they opt out of the ICHRA. (Unlike with a QSEHRA, you can’t have both.)
- APTC will be calculated for the employee (and family).

*For examples with screenshots, see the CMS presentation [here](#).*
ICHRA Example: Employer Coverage is Affordable

JJ works for an employer that funds an ICHRA with $2,400 ($200/month) for an employee or $4,800 ($400/month) for a family.

- Income: $26,000 (204% FPL for a household of 1)
- Affordability threshold for employer coverage: 9.83% of income ($2,556/year, $213/month)
- Lowest-cost silver plan (LCSP): $4,000/year ($333/month)

His premium using the ICHRA ($133) is less than 9.83% of income ($213) so the employer’s coverage is affordable. He’s not eligible for APTC.

Is JJ’s ICHRA affordable? **YES**

→ $333 LCSP – $200 ICHRA = $133 employee contribution to enroll in the LCSP. This is less than the affordability threshold of $213/month. Employer coverage is affordable.

→ JJ can select a plan in the Marketplace (or off-Marketplace, if he chooses), but he cannot receive APTC.
The first questions ask about current eligibility for or enrollment in an ICHRA. Let’s say Jane is sure she wants coverage and can no longer opt out of the ICHRA.

Individual coverage Health Reimbursement Arrangements (HRAs)

Current individual coverage HRAs

Look in the HRA notice to find:
- **Who** can use the HRA
  - If the individual coverage HRA is available to the employee and other household members, be sure to select their names.

Does Jane already have an individual coverage HRA?
Select “Yes” if either of these applies:
- They’re already using an individual coverage HRA.
- They have a new offer and have told the employer they want to sign up and can no longer decline (“opt out” of) the offer.

- **Yes**
- **No**

Current HRA details

Look in the HRA notice to find:
- **The HRA’s start and end dates**
- **Who** can use the HRA
  - If the individual coverage HRA is available to the employee and other household members, be sure to select their names. (Do this even if a different person told the employer they want to sign up.)
Different scenario: Let’s say Jane is still weighing her options and can still opt out of the ICHRA.

**Individual coverage HRA offers**

- **Look in the HRA notice to find:**
  - The HRA’s **start date** and **end date**
  - **Who** can use the HRA
    - If the individual coverage HRA is available to the employee and other household members, be sure to select their names. (Do this even if a different person will tell the employer whether they want to sign up.)

**Does Jane have an individual coverage HRA offer they haven’t accepted yet and that they can still decline ("opt out" of)?**

- **Yes**
- **No**

**If Jane accepts the offer, will this HRA still be available 2 months from today (on 1/1/2021)?**

- **Yes**
- **No**

**HRAs available to Jane**

- **Look in the HRA notice to find:**
  - **The name of the employer** offering the Health Reimbursement Arrangement (HRA)
  - **Who** can use the HRA

**Which employers offer Jane an individual coverage HRA?**

Select all that apply.

- ABC Co (Jane’s job)

**Add an employer**

**Look in the HRA notice to find:**

- The dollar amount **just for Jane**. Enter this amount, even if other household members can sign up for the individual coverage HRA.
- How often ABC Co will offer this amount.

**Enter the dollar amount of reimbursement funds that will be available for Jane only.**

$200

**How often will this amount be available?**

- Weekly
- Every 2 weeks
- Twice a month
- **Monthly**
- Quarterly
- Yearly
- I entered a prorated amount for coverage for part of the year.
ICHRA Example: Employer Coverage is Not Affordable

JJ works for an employer that funds an ICHRA with $1,200 ($100/month) for an employee or $4,800 ($400/month) for a family.

- Income: $26,000 (204% FPL for a household of 1)
- Affordability threshold for employer coverage: 9.83% of income ($2,556/year, $213/month)
- Lowest-cost silver plan (LCSP): $4,000/year ($333/month)

Is JJ’s ICHRA affordable? **NO**

- JJ’s monthly contribution is $233 ($333 LCSP – $100 ICHRA contribution). This is more than his affordability threshold of $213/month.
- JJ does not have affordable employer-sponsored coverage and is eligible to enroll in Marketplace coverage with APTC if he opts out of the ICHRA. He cannot collect both.
- Do not subtract the value of his ICHRA from the APTC (as you would for a QSEHRA).
More ICHRA Details

• In general, employers must provide a notice describing the ICHRA 90 days (some exceptions) before the start of the plan year.

• To use the ICHRA funds, the employee must enroll in individual market coverage. When they enroll:
  – They must substantiate coverage with the employer (written proof or attestation, depending on employer).
    - They’ll also need to substantiate coverage each time they submit claims.
  – If they are eligible for APTC, they must tell the employer and opt out of the ICHRA.
**Important Wrinkle – Section 125 (Cafeteria) Plans**

- A Section 125 plan (aka cafeteria plan or salary reduction arrangement) is a way for employees to provide pre-tax dollars for employee benefits. Employers offering ICHRAs may also offer a Section 125 plan to pay the remainder of the premium.

- If an employer offers the ICHRA alongside a Section 125 plan:
  - The employee can use the ICHRA but **cannot** use the Section 125 plan to pay premiums for Marketplace coverage
  - The employee can use the ICHRA **and** the Section 125 plan to pay premiums for off-Marketplace coverage
    - That coverage must be ACA-compliant. **It cannot be a short-term plan.**
  - If offered, most employees will be better off using the Section 125 plan together with the ICHRA, but there is risk of confusion.

- How can you identify a Section 125 plan?
  - The only way to know for sure is to see the employee’s plan documents or ask the employer.

- If an employer offers an ICHRA alongside a Section 125 plan, check the HealthCare.gov application to see if the ICHRA is affordable. If it’s not affordable, the employee might be able to opt out of it and receive APTC.
JJ works for an employer that funds an ICHRA with $2,400 ($200/month) for an employee. The employer offers a Section 125 plan that JJ can fund to help pay his premiums with pre-tax dollars. JJ sets aside $1,600 through the Section 125 plan.

- Income: $26,000 (204% FPL for a household of 1)
- Affordability threshold for employer coverage: 9.83% of income ($2,556/year, $213/month)
- Lowest-cost silver plan (LCSP): $4,000/year ($333/month)

Is JJ’s ICHRA affordable? **YES**

JJ has choices. He can:

1. **Buy Marketplace coverage.** JJ can use the $2,400 ICHRA to pay his share of Marketplace premiums but not any pre-tax money from his Section 125 plan. He’ll pay $1,600 (after-tax, not from the Section 125 plan) for the LCSP premium. ($4,000 LCSP - $2,400 ICHRA).

2. **Buy off-Marketplace coverage.** If JJ buys coverage off-Marketplace, he can use both the $2,400 ICHRA and his $1,600 in the Section 125 plan to pay his premiums. He’ll pay $400 for premiums: $4,000 LCSP - $2,400 ICHRA - $1,600 Section 125 plan = $400. (But remember that the $1,600 is his money, too – it’s just in a pre-tax account)

His premium using the ICHRA ($133) is less than 9.83% of income ($213) so the employer’s coverage is affordable. He’s not eligible for APTC.
Special Enrollment Periods (SEPs)

• For a calendar year ICHRA or QSEHRA, employees enroll during the Marketplace open enrollment dates (Nov 1 – Dec 15)

• But an employee who gains access to an ICHRA or QSEHRA at another time may qualify for a SEP to enroll in individual market coverage

• The SEP triggering event is the ICHRA or QSEHRA effective date
  → If the individual was given notice 90 days before the HRA took effect, the employee (and family) can enroll up to 60 days BEFORE the date the HRA coverage can take effect.
  → If notice was not given 90 days before the HRA start date, the employee (and family) can enroll up to 60 days BEFORE or AFTER the date the HRA coverage can take effect.
Contact Info

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For more information and resources, please visit:
www.healthreformbeyondthebasics.org

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