Health Reform: Beyond the Basics
healthreformbeyondthebasics.org

Health Reimbursement Arrangements (HRAs)

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November 2020

Center on Budget and Policy Priorities

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 care benefits through a job

In the next sections, we'll ask about **2 different types of benefits** available through a job.

First, we'll collect information about Health Reimbursement Arrangements (HRAs).

Health Reimbursement Arrangements (HRAs)

- HRAs aren't traditional job-based health plans. An employer chooses a dollar amount they'll make available for reimbursing medical expenses instead of offering a health plan.
- A person must buy their own health plan to use certain types of HRAs.
- A person pays for monthly premiums and other qualifying medical expenses, then requests reimbursements through the HRA.

Learn more about HRAs.

How do I know if a person has an HRA?

HRA

They'll have a notice from the employer.

Later, we'll collect information about traditional health coverage through a job.

Traditional health coverage through a job

- Employers may offer a health plan (or plans) to employees (and often their household members).
- The employer may take premiums out of the employee's paycheck.

Learn more about traditional job-based health coverage.

Continue

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

Type of HRA	How it Works	How It's Treated on HC.gov Application
HRAs Offered in Coordination with a Traditional Job-Based Plan		
HRA integrated with traditional employer plan	Can only be provided if employee enrolls in traditional employer health coverage.	If the employee is offered traditional employer health coverage, subtract the employee-only HRA amount from the cost of employee-only employer coverage.
Excepted Benefit HRA	Can only be offered with a traditional employer plan. Pays for separate benefits (i.e., dental).	No effect on APTC eligibility.
HRAs Offered in Place of a Traditional Job-Based Plan		
Individual Coverage HRA (ICHRA)	Can be used to pay individual market premiums. Employee must enroll in individual market coverage. Cannot be offered with traditional employer coverage.	No APTC is allowed if the ICHRA makes Marketplace coverage affordable. Answer application's ICHRA questions using information from the employer's ICHRA notice.
Qualified Small Employer HRA (QSEHRA)	Can be used to pay individual market premiums. Cannot be offered with traditional employer coverage.	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.

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

Save & continue

Learn more about entering premium amounts Close

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.

Excepted Benefits HRA (EBHRA)

- 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.

If the QSEHRA is…	
Affordable *With the employer QSEHRA contribution, the SLCSP costs **less than** 9.83% of household income*	**Not Affordable** *With the employer QSEHRA contribution, the SLCSP costs **more than** 9.83% of household income*
• 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)

$333 SLCSP – **$200 Employer's QSEHRA Contribution** = **$133 Employee's Share of Premium**

His premium using the QSEHRA ($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 QSEHRA affordable? YES

- → $333 SLCSP – $200 QSEHRA = $133 employee contribution toward benchmark coverage. This is <u>less than</u> 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.

https://www.healthcare.gov/downloads/qsehra-worksheet.pdf

- 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).

CMS Product No. 12070
October 2020

Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) Worksheet

Small employers that don't offer group health coverage to their employees can help employees pay for medical expenses through a QSEHRA.

If your employer provides you a QSEHRA, read the notice you get from them carefully for its terms, including your QSEHRA dollar amount. You'll need to have qualifying health coverage to use your QSEHRA and can apply for a Marketplace plan. You can use the QSEHRA to help lower your household's health care costs for qualifying health coverage. Use this worksheet to determine if the QSEHRA meets requirements for "affordability." If it does, you can't get a premium tax credit to lower the cost of a Marketplace plan. If it doesn't and you qualify for a premium tax credit with a Marketplace plan, you must reduce the amount of your advance payments of the premium tax credit (APTC) by the QSEHRA amount.

STEP 1: Gather the information you need.

- You'll need access to HealthCare.gov and a few things to complete this worksheet:
- **Your QSEHRA notice.** You should've gotten this from your employer. If you didn't, check with them.
- **The adjusted gross income amount from your most recent federal income tax return.** You'll need this to determine your household income for the year the QSEHRA will start. You'll need your household income for Step 3. For what to include, visit HealthCare.gov/income-and-household-information/income/.
- **A calculator.** Or, use the calculator function on your computer or mobile device.

STEP 2: Enter your QSEHRA amount.

a. Enter the maximum yearly, self-only amount available to you through the QSEHRA. If you didn't get the full-year amount provided in the notice—like if you gained employment during the QSEHRA's plan year—enter the self-only amount shown in the QSEHRA notice you got from your employer.	2a $ 2400
b. • If the QSEHRA is provided to you for the entire year: Divide 2a by 12. Enter the result here. • If the QSEHRA isn't provided to you for the entire year: Divide 2a by the number of months you're being provided the QSEHRA. Enter the result here.	2b $ 200

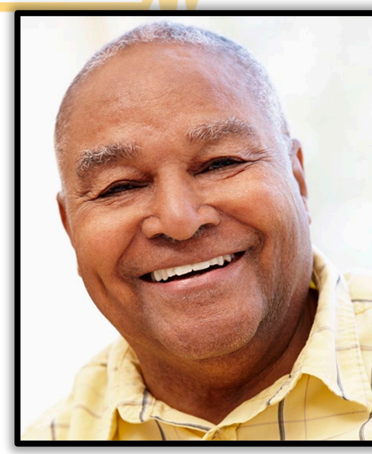
STEP 3: Enter your household income.

a. Enter your expected household income for the year the QSEHRA will start.	3a $ 26000
b. Divide 3a by 12. Enter the result here.	3b $ 2167
c. Multiply 3b by 9.83% (0.0983 on your calculator). Enter the result here. **Note:** The 9.83% applies only to plans that start in 2021.	3c $ 213

QSEHRA Example: Employer Coverage is Not Affordable

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)



$1,000
SLCSP

–

$200
Employer's QSEHRA Contribution

=

$800
Employee's Share of Premium

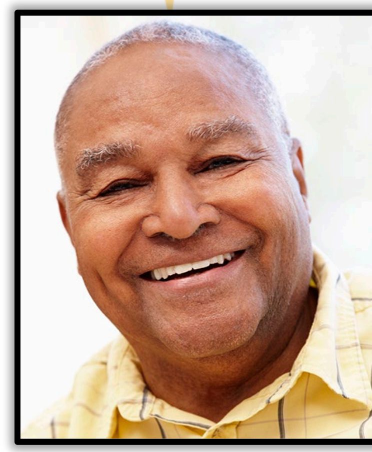
His premium using the QSEHRA ($800) *is greater than* 9.83% of income ($213) so the employer's coverage is not affordable. He's eligible for APTC.

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.

QSEHRA Example: Employer Coverage is Not Affordable (Cont.)



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)

Determination of Standard APTC

Determined by HealthCare.gov

Determination of APTC after QSEHRA

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

$1,000 SLCSP − **$144** John's Income-based Share = **$856** Max APTC before QSEHRA − **$200** John's QSEHRA Amount = **$656** John's Allowable APTC

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.)

ICHRAs

- *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)

If the ICHRA is…	
Affordable *The self-only LCSP costs **less than** 9.83% of household income after subtracting the employer's ICHRA contribution*	**Not Affordable** *The self-only LCSP costs **more than** 9.83% of household income after subtracting the employer's ICHRA contribution*
• 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)

$333 **LCSP** – **$200** **Employer's ICHRA Contribution** = **$133** **Employee's Share of Premium**

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.

Indicating a New ICHRA – Already Opted Out

- 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

HRA

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.

- [x] Yes
- [ ] No

Current HRA details

HRA

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.)

Select the option that best describes Jane's individual coverage HRA.

- [ ] The HRA **has already started**, and Jane can request reimbursements today.
- [x] The HRA **hasn't started yet**, but Jane has told the employer they want to sign up and can no longer decline ("opt out" of) the offer.

Will this HRA be available 2 months from today (on 1/1/2021)?

- [x] Yes
- [ ] No

Indicating a New ICHRA – Not Yet Opted Out

- 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)?

- [x] Yes
  If Jane accepts the offer, will this HRA still be available 2 months from today (on 1/1/2021)?
  - [x] Yes
  - [ ] No
- [ ] 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.

- [x] 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
- [x] 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)

$333 LCSP – **$100 Employer's ICHRA Contribution** = **$233 Employee's Share of Premium**

His premium using the ICHRA ($233) is *greater than* 9.83% of income ($213) so the employer's coverage is not affordable. He's eligible for APTC, if he opts out of the ICHRA.

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

Individual Coverage HRA Model Notice

USE THIS NOTICE WHEN APPLYING FOR INDIVIDUAL HEALTH INSURANCE COVERAGE

[*Enter date of notice*]

You are getting this notice because your employer is offering you an individual coverage health reimbursement arrangement (HRA). Please read this notice before you decide whether to accept the HRA. In some circumstances, your decision could affect your eligibility for the premium tax credit. Accepting the individual coverage HRA and improperly claiming the premium tax credit could result in tax liability.

This notice also has important information that the Exchange (known in many states as the "Health Insurance Marketplace") will need to determine if you are eligible for advance payments of the premium tax credit. An Exchange operates in each state to help individuals and families shop for and enroll in individual health insurance coverage.

You may also need this notice to verify that you are eligible for a special enrollment period to enroll in individual health insurance coverage outside of the annual open enrollment period in the individual market.

I. The Basics

What should I do with this notice?

Read this notice to help you decide if you want to accept the HRA.

Also, **keep this notice** for your records. You'll need to refer to it if you decide to accept the HRA and enroll in individual health insurance coverage, or if you turn down the HRA and claim the premium tax credit on your federal income tax return.

What's an individual coverage HRA?

An individual coverage HRA is an arrangement under which your employer reimburses you for your medical care expenses (and sometimes your family members' medical care expenses), up to a certain dollar amount for the plan year. If you enroll in an individual coverage HRA, **you must also be enrolled in** individual health insurance coverage or Medicare Part A (Hospital Insurance) and B (Medical Insurance) or Medicare Part C (Medicare Advantage) (collectively referred to in this notice as Medicare) for each month you are covered by the HRA. If your family members are covered by the HRA, **they must also be enrolled in** individual health insurance coverage or Medicare for each month they are covered by the HRA. [*Explain where the participant can find information on which medical care expenses are reimbursed by the HRA.*]

The individual coverage HRA you are being offered is employer-sponsored health coverage. This is important to know if you apply for health insurance coverage on the Exchange.

Note: There are different kinds of HRAs. The HRA that's being referred to throughout this notice, and that your employer is offering you, is an **individual coverage HRA**. It is not a

[DOL Model Notice]

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 <u>cannot</u> use the Section 125 plan to pay premiums for Marketplace coverage
  - → The employee can use the ICHRA <u>and</u> the Section 125 plan to pay premiums for off-Marketplace coverage
    - ○ That coverage must be ACA-compliant. <u>It cannot be a short-term plan.</u>
  - → 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.

ICHRA Example: ICHRA & Section 125 Plans

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)

$333 LCSP − **$200** Employer's ICHRA Contribution = **$133** Employee's Share of Premium

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

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)

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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