

Benefits Insights

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Key HRA Decision Points

If you are considering implementing health reimbursement accounts (HRAs) or high deductible health plans (HDHPs) with HRAs, you should consider several things first, including your objectives and possible plan designs. Below are questions to think about if you are an employer considering HRAs or HDHP/HRAs.

Determining Objectives for the Company

Evaluate your objectives for your benefits package and how HDHP/HRAs contribute to your goals.

- Is your primary goal to save money on health costs or to move toward employee-driven health care decisions?
- What is your strategic timeline for making these changes?
- Do you have existing educational resources to help employees understand the effects of health care premium costs on your business?
- How will your choice of health care plans affect your employee recruitment and retention efforts?
- What is your corporate culture today and how well does your organization embrace change? Company characteristics that influence the ability to introduce HRAs include a paternalistic culture, high turnover, communication ability, and recent major changes in workforce or benefits.
- What employee characteristics would tend to make employees more interested in one approach or another? Age, gender, time at company, personal situations, number of dependents or salary? How well do you know what your employees want?

9 Key Plan Design Questions

You should also consider different aspects of plan design before implementing an HDHP/HRA.

1. How should an HRA be offered with other group health coverage?

- Stand-alone HRA
 - Due to the Affordable Care Act's (ACA) market reforms, most stand-alone HRAs are prohibited.
 - Retiree-only HRAs qualify for an ACA exemption and are still permitted.
 - Special stand-alone HRA designs (qualified small employer HRAs and, beginning in 2020, individual coverage HRAs) allow employers to reimburse individual health insurance premiums, subject to specific design requirements.
- HDHP/HRA design
 - High flexibility
 - Employer can limit the availability of HRA COBRA coverage to qualified beneficiaries who also elect HDHP COBRA coverage.
 - Under the ACA, most HRAs must be integrated with other group health plan coverage (for example, HDHP coverage).



- Two types of integration methods—one method imposes a “minimum value” condition on the non-HRA health plan coverage, and the other method limits the types of expenses that may be reimbursed under the HRA. Under both integration methods:
 - The employer sponsoring the HRA must offer a group health plan (other than the HRA) that does not consist solely of excepted benefits (for example, an HDHP).
 - Employees receiving the HRA must actually be enrolled in another group health plan that does not consist solely of excepted benefits.
 - The HRA must be available only to employees who are actually enrolled in another group health plan.
 - Employees must be offered the opportunity to permanently opt out of and waive future reimbursements from the HRA at least annually and upon termination of employment (if the HRA is not forfeited when employment terminates).
2. Who will be eligible to participate?
 - As long as the HRA passes nondiscrimination testing and the ACA’s integration requirements (if applicable), employers have flexibility when it comes to establishing the HRA’s eligibility rules.
 3. What expenses are reimbursable?
 - If an HRA is offered with an HDHP/HSA, HRA coverage must be limited to certain expenses, for example, preventive care, or designed to permit reimbursements after the HDHP deductible has been met.
 - Expenses an HRA can reimburse are limited to qualified medical expenses; however, an employer may choose to be more restrictive on what the plan will reimburse.
 - Also, if the ACA’s minimum value integration method is not used, reimbursements may be limited to copayments, coinsurance, deductibles and premiums under the non-HRA group coverage, as well as medical care that does not qualify as “essential health benefits.”
 4. How much will the employer contribute?
 - There is no specified cap on the amount an employer is allowed to contribute to an HRA. Employer contributions to an HRA do not have to be the same for all employee groups (for example, individual coverage, family coverage) provided the plan complies with nondiscrimination rules.
 5. How will the HRA be funded?
 - HRAs must be funded solely by the employer. Typically, reimbursements will be made from employer general assets.
 6. Will carryovers be allowed?
 - HRAs may allow carryovers of unused account balances, but they don’t have to. Employers can allow unlimited carryovers or put limits on carryovers.
 7. How will reimbursements be processed?
 - Because substantiation is required for HRA reimbursements, and because of privacy concerns, employers may consider hiring a third-party administrator (TPA) to substantiate claims. Employers should complete a due diligence of TPAs and have service agreements and business associate contracts reviewed by counsel. Employers should also consider if they want caps on reimbursements. If the employer also sponsors a health FSA, consider how the claims will be ordered.
 8. Design employee communication, education and support tools.
 9. Adopt a plan document and distribute a Summary Plan Description (SPD) to employees.