



Comparing Different Types of HRAs

Health reimbursement arrangements (HRAs) are employer-funded accounts that reimburse employees for their eligible out-of-pocket medical expenses on a tax-favored basis. Although HRAs provide significant tax benefits, they are subject to strict plan design rules.

However, a [final rule](#) expanded the use of HRAs, effective for plan years beginning on or after Jan. 1, 2020. The different types of available HRA plan designs are:

- HRAs integrated with group health plans (GHP-HRAs);
- Individual coverage HRAs (ICHRAs);
- Excepted benefit HRAs (EBHRAs);
- Qualified small employer HRAs (QSEHRAs);
- HRAs that only pay excepted benefits; and
- Retiree-only HRAs.

LINKS AND RESOURCES

- [IRS Notice 2013-54](#) and [DOL Technical Release 2013-03](#) (guidance on GHP-HRAs)
- [Final rule](#) that expanded options for HRAs, effective Jan. 1, 2020

The following chart compares key features of the different types of HRAs.

HRA Comparison Chart						
	GHP-HRA	ICHRA	EBHRA	QSEHRA	HRA—Pays Excepted Benefits	Retiree-only HRA
Eligible Employers	Employers that offer a group health plan (GHP)	All employers (but cannot offer a GHP and ICHRA to the same class of employees)	Employers that offer a GHP	Employers that are not applicable large employers (ALEs) and do not offer a GHP to any employees	All employers	All employers

HRA Comparison Chart

<p>Eligible Employees</p>	<p>Employees (and their spouses and dependent children) who are covered under the GHP</p>	<p>Employees (and their spouses and dependent children) who are enrolled in individual health insurance coverage or Medicare</p>	<p>Must be offered GHP coverage (not required to enroll)</p>	<p>All employees, except may exclude collectively bargained employees, seasonal or temporary employees, employees younger than age 25 and nonresident aliens without U.S.-based income</p>	<p>Any employees</p>	<p>Former employees (retirees) Although amounts may be credited while individuals are current employees, only expenses after retirement may be reimbursed</p>
<p>Eligible Expenses <i>All HRAs are limited to reimbursing Code Section 213(d) medical expenses, but each type also has its own rules for eligible expenses</i></p>	<p>If the employer's GHP meets the minimum value (MV) requirement, the HRA may reimburse all qualifying medical care expenses If the employer's GHP does not provide MV, the HRA may reimburse cost-sharing under the GHP and non-essential health benefits (EHB) These HRAs cannot reimburse premiums for individual health insurance policies. These HRAs may reimburse Medicare premiums, if certain integration requirements are met</p>	<p>Medical care expenses, including premiums for individual health insurance policies and Medicare premiums Covered employees and dependents must substantiate that they have individual health insurance (or Medicare) coverage</p>	<p>Medical care expenses, except cannot reimburse: premiums for individual health insurance coverage, premiums for coverage under a GHP (other than COBRA or continuation), or Medicare Parts B or D</p>	<p>Medical care expenses, after the employee provides proof of minimum essential coverage Can reimburse premiums for individual health insurance policies</p>	<p>Excepted benefits, such as limited-scope dental or vision coverage</p>	<p>Medical care expenses after retirement, including premiums for individual health insurance and Medicare</p>
<p>Other Design Requirements</p>	<p>The HRA may be available only to employees (and their spouses and dependent children) who are enrolled in the GHP</p>	<p>Cannot offer the same class of employees a GHP and ICHRA Must offer the ICHRA on the same terms to all employees within a class of employees,* except the maximum benefit may vary based on age and number of covered dependents</p>	<p>Must be available on the same terms to all similarly situated employees without regard to health factors</p>	<p>Must be provided on the same terms to all eligible employees. However, the maximum benefit may vary based on age and family size</p>	<p>Must only reimburse excepted benefits (such as limited-scope dental and vision benefits)</p>	<p>Only available to former employees (and their spouses and dependent children)</p>
<p>Annual Opt-Out Requirement?</p>	<p>Yes—Employees must be offered the opportunity to opt out at least annually</p>	<p>Yes—Employees must be permitted to opt out. In general, this opportunity must be provided in advance of each plan year</p>	<p>No</p>	<p>No—Eligible employees cannot be allowed to waive coverage</p>	<p>No</p>	<p>No</p>

HRA Comparison Chart

Annual Limit?	No annual limit	No annual limit	Yes—\$1,950 for 2023 (\$2,100 for 2024). This limit is indexed annually for inflation	Yes—For 2023, \$5,850 for self-only coverage and \$11,800 for family coverage. These limits are indexed annually for inflation. The IRS has not yet released the limits for 2024.	No annual limit	No annual limit
Other Coverage Requirements	HRA can only reimburse the medical expenses of individuals (including dependents) who are actually enrolled in the GHP	Must be enrolled in individual health insurance coverage (or Medicare) and substantiate (or verify) this coverage. Substantiation is required before the first day of the plan year and before each payment. A model substantiation form is available	None	Before reimbursing expenses, employee must provide proof that he or she has minimum essential coverage. Model language is available in IRS Notice 2017-67	None	None
Annual Written Notice Requirement?	No specific annual notice requirement	Yes, must provide a written notice to eligible employees at least 90 days before the start of the plan year. A model notice is available for employers to use	No specific annual notice requirement	Must provide a written notice to each eligible employee at least 90 days before the beginning of the plan year. Sample language is available in IRS Notice 2017-67	No specific annual notice requirement	No specific annual notice requirement
Impact Eligibility for Premium Tax Credit (under ACA)?	Yes	Yes	No	Yes	No	Yes

HRA Comparison Chart

<p>Impact on HSA Eligibility?</p>	<p>Covered individuals are ineligible for HSA contributions if the HRA is a general purpose HRA (that is, it reimburses medical care expenses before the HDHP deductible is reached)</p>	<p>Does not impact HSA eligibility if HRA only pays for individual health insurance premiums. If the ICHRA reimburses medical care expenses before HDHP deductible is reached, covered individuals will be ineligible for HSA contributions</p>	<p>Covered individuals are ineligible for HSA contributions if the EBHRA reimburses medical care expenses before the HDHP deductible is reached.</p>	<p>Does not impact HSA eligibility if HRA only pays for individual health insurance premiums. If the ICHRA reimburses medical care expenses before HDHP deductible is reached, covered individuals will be ineligible for HSA contributions</p>	<p>Does not impact HSA contributions</p>	<p>Covered individuals are ineligible for HSA contributions if the HRA is a general purpose HRA (that is, it reimburses medical care expenses before the HDHP deductible is reached). However, this coverage does not impact HSA eligibility while covered individuals are still working (that is, before they retire)</p>
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