

TYPES OF HRA PLANS

In the past few years, recent legislation has created new HRA types, giving employers even more flexibility over their benefits. For example, it is now possible to use an HRA to reimburse employees for individual health insurance premiums. There are also fewer restrictions on who can be covered by an HRA. Employers can offer HRAs to part-time and seasonal workers, as well as retirees.

Standard

The **Standard HRA**, or Group Coverage HRA, is a plan offered in addition to group health. Employees must be enrolled in group health insurance through their company or spouses to utilize the Standard HRA. Reimbursements cannot be used to pay premiums, only broadly defined qualified medical expenses.

There are no federal limits on the amount of funds that can be put into the HRA. Although, businesses must establish a reimbursement limit and a timeline. Unused funds can roll over into subsequent years. Employers may limit total carryovers, as well as giving employees access to remaining funds if they cease being covered by their major medical plans.

QSEHRA

The **QSEHRA** is a healthcare reimbursement arrangement for small businesses and nonprofits with fewer than 50 full-time employees. It allows employers to reimburse employees for qualified healthcare expenses outlined by the IRS, including individual health insurance premiums.

A QSEHRA is a great option for small businesses or nonprofits who want to offer health insurance without the hassle of managing a group plan. It also gives employees more choice in how they spend their healthcare dollars. Additionally, this HRA type can be used with a Health FSA or HSA, giving employees even more flexibility when paying for their healthcare expenses.

ICHRA

The **Individual Coverage Health Reimbursement Arrangement (ICHRA)** allows employers to reimburse their employees for individual health insurance premiums and other qualified medical expenses, allowing employees to choose the coverage that best meets their needs. The ICHRA is available to employers of all sizes and requires employees to be covered by an individual health insurance plan or Medicare to be eligible for reimbursement. Employers determine the reimbursement limits, though other rules and restrictions apply.

Overall, an ICHRA is a much simpler and more flexible way of offering health benefits than traditional group plans. If you're an employer looking for a cost-effective way to offer health coverage to your employees, the ICHRA could be a good option.

EBHRA

An **Excepted Benefit HRA (EBHRA)** is a good option for employers who want to offer their employees an HRA in addition to a traditional group health plan. This HRA allows employers to offer their employees financial assistance with dental, vision, short-term insurance, and other health-related costs that traditional group health plans may not cover.

The EBHRA allows for higher employer contributions (currently \$2,150 a year for 2025) than flexible spending arrangements (FSAs). In addition, unused funds can roll over from year to year.

	STANDARD HRA	QSEHRA	ICHRA	EBHRA
Size Restrictions	None	Employers must have fewer than 50 full-time equivalent employees	None	None
Group Coverage Requirements	Employee and others must be enrolled in qualifying health insurance Options for employees who cease group health to retain HRA accrued benefits	Employers cannot offer both a QSEHRA and a group health insurance plan	Employers cannot offer employees in the same class a choice between group coverage and an ICHRA	Employers are required to offer group coverage
Employee Eligibility	Employees must be enrolled in group health insurance to participate	All full-time employees are automatically eligible Part-time employees are also eligible if employers choose	Employer specifies eligibility guidelines for specific classes of employees Classes may need to meet minimum size standards	Only available to employees also covered by organizations group health insurance plan, regardless of if they opted out or not
Yearly Contribution Caps	No limit	\$6,350/single employee \$12,800/employee with family	None	\$2,150
Rollover Guidelines	Can be rolled over into next year to increase reimbursement limits in subsequent years, but employers can limit aggregate carryovers	Can roll over month to month and year to year, not exceeding the annual contribution caps	Can roll over month to month and year to year	Can roll over month to month and year to year
Premium Tax Credit	N/A	Individuals participating in the HRA are eligible for premium tax credits, but the credit is reduced by the amount of the HRA allowance	Employees enrolled in the HRA are not eligible for premium tax credits, but can collect credits if they waive the HRA	N/A
Spouse Coverage	Employees with spouse's group coverage can participate	Employees with spouse's group coverage can participate, but can't have their group premiums payments reimbursed	Employees with spouse's group coverage cannot participate	Employees with spouse's group coverage cannot participate
Minimal Essential Coverage Requirements	Employees without MEC can participate	Employees without MEC can participate, but all reimbursements will be taxable	Employees must have individual coverage (almost always considered MEC) to participate	Employees without minimal essential coverage cannot participate
Eligible Medical Expenses	All items listed in <u>IRS Publication 502</u> , except for individual insurance premiums	All items listed in <u>IRS Publication 502</u>	All items listed in <u>IRS Publication 502</u>	All items listed in <u>IRS Publication 502</u> , except for individual insurance premiums or Medicare