

# HRA Summary Guide

	Individual Coverage HRA (ICHRA)	Excepted Benefit HRA (EBHRA)	Qualified Small Employer HRA (QSEHRA)
<b>Employer Eligibility</b>	Available to any size business	Available to any size business that also offers a traditional group health plan	Available to businesses with fewer than 50 full-time employees that does not offer a traditional group health plan.  An employer that provides a group health plan to current employees in an excludable category (see below) is not an eligible employer.
<b>Employee Classes</b>	An ICHRA must be offered on the same terms and conditions to all employees within a class, except that the benefit amount may increase based on age (maximum 3:1 ratio) or family size.  Classes are determined at the common-law employer level (rather than on a controlled group basis).	The EBHRA must be available under the same terms and conditions to all similarly situated individuals (as defined under HIPAA's nondiscrimination rules).  An EBHRA cannot be offered to employees who are also offered an ICHRA.	All employees must participate unless under the plan they are excluded based on one or more of the excludable category (see below)
<b>Classes Defined</b>	<ul style="list-style-type: none"> <li>• Salaried</li> <li>• Non-salaried (e.g. hourly)</li> <li>• Full-time (as defined in CodeSection 105 or 4980H)</li> <li>• Part-time (as defined in CodeSection 105 or 4980H)</li> <li>• Seasonal (as defined in Code Section 105 or 4980H)</li> <li>• Employees covered by collective bargaining unit</li> <li>• Employees who have not satisfied a waiting period for coverage</li> <li>• Nonresident aliens with no US-based income</li> <li>• Employees of an entity that hired the employees for temporary placement at another entity (temporary worker rule)</li> <li>• Employees whose primary site of employment is in the same rating area. The rating area is defined as the rating area used for ACA premium rating requirements in the individual market. This allows employers to offer or vary benefits based on worksite location</li> <li>• Any combination of two or more of the above classes</li> </ul>	<ul style="list-style-type: none"> <li>• Full-time</li> <li>• Part-time</li> <li>• Geographic location</li> <li>• Membership in collective bargaining unit</li> <li>• Date of hire</li> <li>• Current employee vs. former employee</li> <li>• Different occupations</li> </ul>	<p><b>Excludable Categories:</b></p> <ul style="list-style-type: none"> <li>• Employees who have not completed 90 days of service</li> <li>• Employees who have not attained age 25 before the beginning of the plan year</li> <li>• Part-time</li> <li>• Seasonal employees</li> <li>• Non-participating employees covered by a collective bargaining agreement (if health benefits were the subject of good faith bargaining)</li> <li>• Non-resident aliens who do not receive earned income from the employer from sources within the United States</li> </ul> <p>An employee must be offered the QSEHRA no later than the day after the date on which the employee ceases to fall within any of the excludable categories.</p>
<b>Minimum Class Size</b>	Minimum applies if the employer offers a traditional group health plan to one or more classes. <ul style="list-style-type: none"> <li>• Ten employees, for an employer with fewer than 100 employees</li> <li>• Ten percent of the total number of employees, for an employer with 100 to 200 employees</li> <li>• Twenty employees, for an employer with more than 200 employees</li> </ul>	Not applicable	Not applicable

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<b>Employee Eligibility</b>	<p>Employees must be enrolled in individual health insurance coverage or Medicare Parts A and B, or Part C.</p> <p>Employees eligible for the traditional group health plan are not eligible (excludes account-based plans and plans limited to excepted benefits).</p> <p>Uninsured employees, employees covered by health care sharing ministry plan, and employees covered under a spouse's group health insurance policy cannot participate in the ICHRA.</p>	<p>Based on employer's eligibility guidelines. Employees must be eligible for but are not required to be</p>	<p>All full-time employees are automatically eligible. Businesses can choose to extend eligibility to part-time employees. The employee's insurance status does not affect their eligibility for the QSEHRA. Employees can participate whether they have an individual health insurance policy, a group policy from their spouse's employer, an alternative health care solution such as a health care sharing ministry plan, or no insurance at all.</p> <p>IRS guidance provides that each individual (including dependents) whose expenses will be reimbursed must have minimum essential coverage (MEC), either through the QSEHRA or another plan for the month in which the expense is incurred.</p>
<b>Annual Maximums</b>	<p>Set by the employer. An employer must offer the HRA on the same terms to all employees in a class of employees, except employers may increase the amount available under an ICHRA based on the employee's age (no more than 3:1 ratio) or number of dependents.</p> <p>Employees who become covered under an ICHRA mid-year may receive the full annual benefit or a prorated amount; the method must be determined before the plan year and must be the same for all employees within a class.</p>	<p>No more than \$1,800 (indexed after 2020 to the C-CPI-U) can be newly available to each participant for each plan year.</p> <p>Carryovers do not count toward annual maximum.</p>	<p>\$5,150 (\$429.17 a month) for single employees and \$10,450 (\$870.83 a month) for employees with a family in 2019.</p> <p>If employees in any of the excludable categories are allowed to participate, they must receive the full QSEHRA benefit.</p> <p>An employer cannot provide a different QSEHRA benefit to excludable employees (even though it could, by plan design, exclude such employees completely).</p>
<b>Eligible Expenses</b>	<p>Individual health insurance premiums, Medicare premiums Part A, B, C and D, Medicare Supplement premiums, certain insured student health plans, ACA compliant catastrophic health plans, qualified 213(d) medical expenses. Employers may design the plan to reimburse premiums and all (or certain) 213(d) eligible expenses, or limit to just premiums.</p> <p>Short-term limited-duration insurance (STLDI), self-insured student health plans and coverage consisting solely of excepted benefits are not eligible for reimbursement.</p>	<p>An EBHRA may reimburse Code § 213(d) medical expenses, including premiums for coverage consisting solely of excepted benefits, COBRA continuation coverage, and in some circumstances short-term, limited-duration insurance (STLDI).</p> <p>An EBHRA may not reimburse premiums for individual health coverage, Medicare Part A, B, C or D, or group health plan premiums (other than COBRA). Note: EBHRAs, which can reimburse medical care expenses other than excepted benefits, are different from an HRA that reimburses only excepted benefits. Employers can continue</p>	<p>QSEHRAs can reimburse employees for medical care as defined under Code §213(d) that are incurred during the QSEHRA period of coverage. Reimbursement of individual major medical health insurance premiums, as well as other Code §213(d) expenses incurred during the QSEHRA coverage period, is permitted. A QSEHRA may reimburse premium payments for coverage of a spouse or other eligible family member, including expenses paid through another employer's plan.</p>

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		to offer HRAs that reimburse only excepted benefits, and those HRAs need not meet the requirements for EBHRAs.	
<b>Substantiation Requirements</b>	Individual health insurance coverage substantiated annually and for each reimbursement. Employee attestation accepted. 213(d) medical expense substantiation required per IRS regulations governing HRAs.	Individual health insurance substantiated annually and for each reimbursement. Employee attestation accepted. 213(d) medical expense substantiation required per IRS regulations governing HRAs.	213(d) medical expense substantiation required per IRS regulations governing HRAs. The “MEC substantiation” can be accomplished by obtaining an attestation by the employee that the coverage is MEC. The initial proof of MEC must be provided at least annually for each individual whose expenses are to be reimbursed, before the first expense of that individual is reimbursed. An employer may rely on the employee attestation absent actual knowledge that the individual does not have MEC. For subsequent months, attestation that the individual continues to have MEC can be incorporated in the reimbursement claim form or process.
<b>Group Health Insurance Interaction</b>	Businesses can offer traditional group health insurance, but not to the same class of employees to whom they offer the ICHRA.	The traditional group health plan must be offered but is not integrated with the EBHRA.	Businesses cannot offer group health, dental, or vision insurance in addition to a QSEHRA.
<b>Tax Savings</b>	Reimbursements are free from payroll and income tax	Reimbursements are free from payroll and income tax	Reimbursements are free from payroll and income tax.  Only employees with minimum essential coverage (MEC) can receive QSEHRA reimbursements free of income tax. Employees without MEC must report all QSEHRA reimbursements as taxable income when they file their taxes.
<b>Cafeteria Plan Interaction</b>	Individual health insurance premium amounts above what is not reimbursed through the ICHRA may be paid pre-tax through a cafeteria plan salary reduction, as long as the coverage is purchased outside of an Exchange. If offered, salary reductions must be available on the same terms and conditions to all employees within a class. ICHRA is considered a group health plan. As such, a health FSA may be offered along side an ICHRA.	Cafeteria plan qualified insurance premium amounts above what is not reimbursed through the EBHRA may be paid pre-tax through a cafeteria plan salary reduction. An employer may offer a health FSA alongside the EBHRA since a traditional group health plan is offered to the EBHRA enrollees.	Not available

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<b>Carryovers and Cash-outs</b>	Carryovers permitted if allowed under the employer’s ICHRA plan. Cash-outs are not permitted.	Unlimited carryovers are permitted if allowed under the employer’s EBHRA plan.  Carryovers are disregarded for purposes of the annual maximum. Amounts available under other HRAs (with the exception of HRAs that reimburse only excepted benefits) are counted toward the annual maximum.  Cash-outs are not permitted.	Carryovers permitted. Total reimbursements in one year cannot exceed the annual maximum. A QSEHRA can have a run-out period for submission of claims incurred during the coverage period.  Cash-outs are not permitted even on a taxable basis, and will disqualify a QSEHRA, causing all payments to all eligible employees to be taxable.
<b>Forfeitures</b>	Employees that cease to be eligible would forfeit the remaining balance (subject to COBRA if lost eligibility was due to a qualifying event)	Employees that cease to be eligible would forfeit the remaining balance (subject to COBRA if lost eligibility was due to a qualifying event)	Employees that cease to be eligible would forfeit the remaining balance. COBRA does not apply.
<b>Premium Tax Credits (PTC)</b>	Employees will be ineligible for PTC when enrolled in the ICHRA	Does not affect eligibility for PTC	Employees with premium tax credits can participate in the QSEHRA, but their premium tax credit will be reduced by the amount of their QSEHRA allowance
<b>Waivers and Opt-Outs</b>	ICHRA participants must be able to opt out and waive future reimbursements annually before each plan year. Upon termination of employment, participants must either forfeit the remaining balance (subject to COBRA) or be able to permanently opt out of and waive future reimbursements.	No waiver or opt-out needed as does not affect eligibility for PTC	Employees cannot opt out of the QSEHRA
<b>Employer Shared Responsibility</b>	Only employers with at least 50 full-time employees, including full-time equivalent employees, in the prior year are applicable large employers subject to the employer mandate. An offer of an ICHRA counts as an offer of coverage under the employer mandate. Whether an applicable large employer that offers an ICHRA to its full-time employees (and their dependents) owes a payment under the employer mandate will depend on whether the HRA is affordable. This is determined under the premium tax credit rule being issued as part of the ICHRA rule and is based, in part, on the amount the employer makes available under the ICHRA. Therefore, if an applicable large employer wants to avoid an employer mandate payment by offering an ICHRA, the employer	Not applicable	Not applicable

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	will need to contribute a sufficient amount for the offer of the ICHRA to be considered affordable. The Internal Revenue Service plans to provide more Information on how the employer mandate applies to ICHRAs at a later date (though soon).		
<b>HSA Eligible Plans</b>	May be designed to be HSA compatible by reimbursing premiums only or limiting reimbursement in accordance with HSA rules (i.e. no reimbursement until statutory deductible is met). Employees in the same class can be offered a choice between an HSA-compatible ICHRA and one that is not HSA-compatible.	An EBHRA limited to reimbursing premiums or that only reimburses 213(d) qualified medical expenses (excluding premiums) after the statutory deductible is met is HSA qualified.	Not HSA compatible
<b>ERISA Plan</b>	Yes, for the HRA. ERISA plan document, SPD, SBC and Form 5500 required. Note: individual health insurance coverage reimbursed through ICHRA does not make the individual health insurance an ERISA plan.	Yes, for the HRA. ERISA plan document, SPD, SBC and Form 5500 required. Note: insurance coverage reimbursed through EBHRA does not make that insurance coverage an ERISA plan.	Yes, for the HRA. ERISA plan document, SPD, SBC and Form 5500 required. Note: individual health insurance coverage reimbursed through a QSEHRA does not make the individual health insurance an ERISA plan.
<b>Non-discrimination testing</b>	HRA 105(h) non-discrimination testing rules apply when offering both premium reimbursement and 213(d) medical expense reimbursement	HRA 105(h) non-discrimination testing rules apply	No
<b>COBRA</b>	Yes, when ICHRA coverage lost due to a qualifying event. Not eligible for COBRA if an employee is no longer covered by individual health insurance coverage.	Yes, when EBHRA coverage is lost due to a qualifying event.	No
<b>MSP Reporting Required</b>	Yes	Yes	No
<b>Notice Requirements</b>	ICHRAs must provide a notice to eligible participants 90 calendar days prior to the beginning of each ICHRA plan year. For new hires and for employees who are newly eligible during the plan year, the ICHRA must provide notice no later than the date on which the ICHRA first takes effect for the participant. The IRS has provided a model notice employers can use. ICHRAs must also provide notice in accordance with ERISA (SPD, SBCs, SMMs and SMRs).  If an employer chooses to offer an ICHRA for 2020, the employer will	EBHRAs must provide notice in accordance with ERISA (SPD, SBCs, SMMs and SMRs).	Employers must furnish a written notice to each eligible employee at least 90 days before the beginning of each plan year. For employees who become eligible to participate in the QSEHRA after the beginning of the plan year (e.g., employees who are hired midyear), the notice must be sent on or before the first day the employee becomes eligible for a QSEHRA. The notice can be sent in writing or via an electronic medium (e.g., email) using IRS rules for the use of electronic media.

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	need to provide the required notice for eligible participants.		
<b>Effective Date</b>	Available beginning January 1, 2020. Employees who want to take advantage of an ICHRA with a start date of January 1, 2020, will need to enroll in individual health insurance during the open enrollment period at the end of 2019 (lasting from November 1, 2019 to December 15, 2019), unless they have Medicare.	Available beginning January 1, 2020	Available now

Sources: Thomson Reuters Checkpoint (EBIA), ECFC Flex Report Article June 2019, IRS FAQs, HRA Regulations