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Excepted Benefit HRAs

Highlights from the Final Rule

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The Departments of Labor, Health and Human Services, and the Treasury (collectively, "the Departments") finalized rules creating two new Health Reimbursement Arrangement (HRA) options available to employers beginning January 2020. These final rules generally follow the proposed guidance (issued in October 2018) with some notable changes.

This article addresses the new Excepted Benefit HRA ("EB HRAs"). Individual Coverage HRAs are discussed in a separate update.

Briefly, beginning with the first plan year on or after January 1, 2020, employers are permitted to offer EB HRAs. An EB HRA is generally available when an employer offers a traditional group health plan, subject to certain conditions, including a $1,800 maximum annual benefit.

Excepted Benefit HRA

The regulations create an EB HRA. This type of HRA is different from an HRA integrated with a group health plan or an individual coverage HRA and is subject to more restrictive conditions.

To be considered an EB HRA (or other account-based plan), the arrangement must meet the following conditions:

- The annual EB HRA contribution cannot exceed $1,800. The $1,800 will have a cost-of- living adjustment annually beginning with the 2021 plan year.
- The EB HRA must be offered with a traditional group health plan, although the employee is not required to enroll in the traditional group health plan to access the HRA. This is a significant difference from previous rules that only permitted employers to offer integrated HRAs, which require coverage in the group health plan coverage.
- The EB HRA cannot reimburse premiums for individual health insurance coverage, group health plan coverage (other than COBRA premiums), or Medicare premiums.
- The EB HRA must be made available under the same terms to similarly situated individuals regardless of any health factor.

It is important to note the following:

- If an employer offers an EB HRA, the employer may not offer a QSEHRA or an Individual Coverage HRA to the same person.

- An EB HRA may be disqualifying coverage for purposes of HSA eligibility if it reimburses medical expenses otherwise covered by a qualified high deductible health plan (QHDHP) prior to satisfaction of the required deductible. Thus, this is not likely a good option if offering a QHDHP and health savings account (HSA).

Employer Action

Employers may want to look at whether offering an EB HRA is an option for their employee benefit plan strategy in 2020 or beyond. Employers interested in adding an EB HRA to their benefit offerings should review the final rule and supporting guidance and work with their benefits consultant and third-party administrators to understand the various requirements.