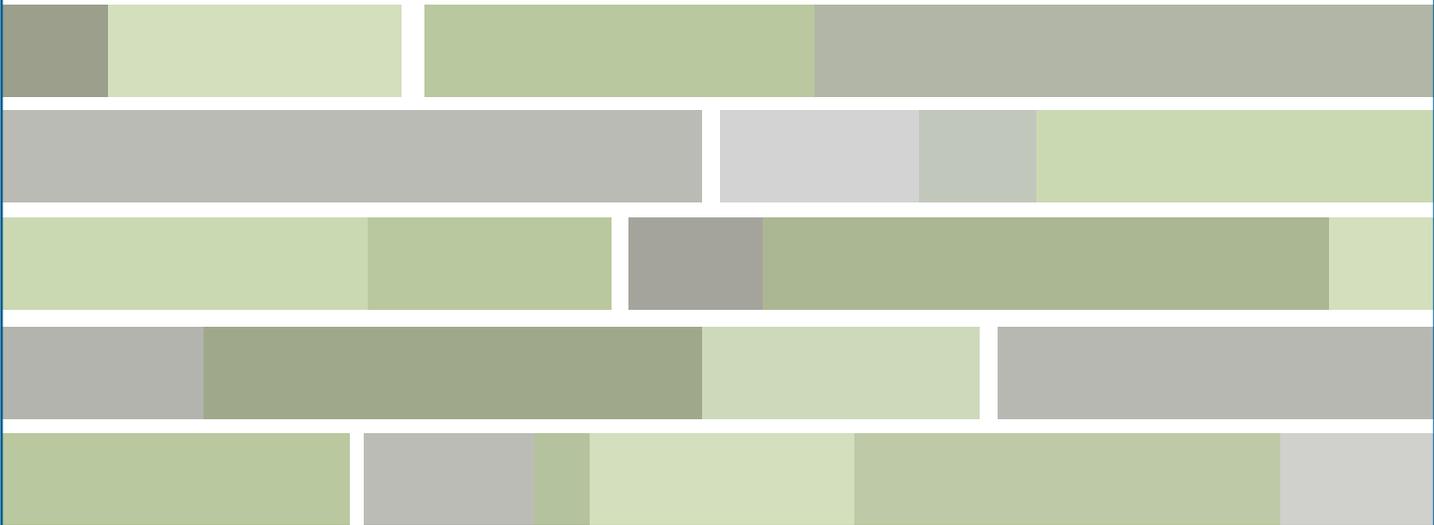


Health Reimbursement Arrangement (HRA)

KEY FEATURES FOR 2019



Health Reimbursement Arrangement (HRA)

Key Features for 2019

Overview	
Account Description	Employer-established benefit plan that reimburses eligible employees for qualified medical expenses.
Important Reminders for 2019	An HRA generally must be " integrated "* with other group health plan coverage in order to comply with federal regulations. However, an exception does exist for qualified small employer HRAs (QSEHRAs).
Potential Tax Benefits for Employees	<ul style="list-style-type: none"> • Employer contributions are excluded from gross income and are not subject to employment taxes • Reimbursements used to pay qualified medical expenses are not taxed
Employee Eligibility	
Who May Participate	To be "integrated"* with other group health plan coverage, among other requirements, an HRA can be made available only to employees who are enrolled in non-HRA group coverage.
Note: Self-employed persons are not eligible for an HRA.	In addition, under federal law , HRAs may not discriminate in favor of highly compensated individuals as to eligibility to participate or benefits offered.
HDHP (High Deductible Health Plan) Coverage Required?	No. However, in order to be "integrated"* with other group health plan coverage, among other requirements, an HRA can be made available only to employees who are enrolled in non-HRA group coverage.
Contributions	
Who May Contribute	Only the employer may contribute.
Pre-Tax Employee Contribution Allowed	No.
Limit on Contributions	No limit on the amount of money an employer may contribute to an employee's HRA if the HRA is "integrated"* with a group health plan that itself has no annual limits.
Employer Participation	Under federal law , employer contributions must not discriminate in favor of highly compensated individuals.
Distributions	
Distributions Allowed	Reimbursements under an HRA can only be made on a tax-free basis for qualified medical expenses to current and former employees (and their spouses and dependents), spouses and dependents of deceased employees, and to the employee's adult children under age 27 as of the end of the taxable year (regardless of whether the adult children qualify as a tax dependent of the employee).
Timing of Distributions	An HRA may not reimburse expenses for medical care incurred before the date the HRA is in existence or before the date an employee first becomes enrolled in the HRA.

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Distributions (Continued)	
Qualified Medical Expenses	<p>Qualified medical expenses are those that generally would qualify as expenses for "medical care."</p> <p>For purposes of HRA reimbursement, qualified medical expenses include:</p> <ul style="list-style-type: none">• Amounts paid for long-term care coverage; and• Amounts that are not covered under another health plan. <p>However, with the exception of QSEHRAs, HRAs used for employees' individual insurance policy premiums violate federal regulations.</p>
Other Issues	
Balance and Carryover	Amounts remaining in the HRA at the end of the year can generally be carried over to the next year. The employer is not permitted to refund any part of the balance to the employee.
Account Subject to COBRA?	In general, yes.
Portable for the Employee?	No, the employer is the owner of the account.

* An HRA will be integrated with a group health plan if it meets the requirements under either of two integration methods described in [agency guidance](#), as clarified by [ACA FAQs](#).

For More Information

Please review IRS [Publication 969](#) for a detailed explanation of HRAs, as well as IRS [Publication 15-B](#) for additional information regarding the tax treatment of these types of arrangements.

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Key Features for 2019

Provided by:



BK Group Benefits, LLC
531 Main Street
Branford, CT 06405

Phone: (203) 481-4254
www.BKGroupBenefits.com

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