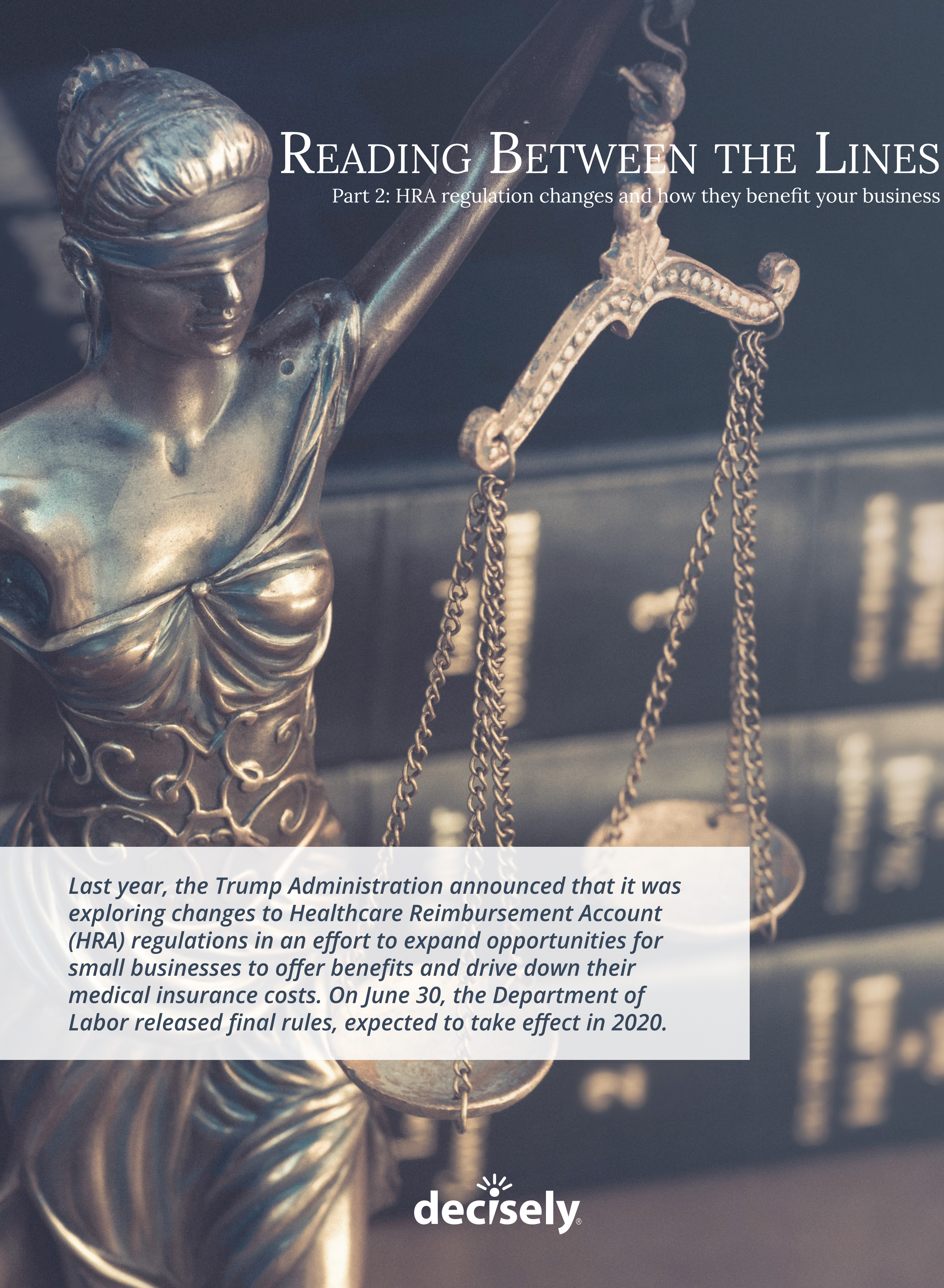

# Reading Between the Lines

## Part 2: HRA regulation changes and how they benefit your business

***Last year, the Trump Administration announced that it was exploring changes to Healthcare Reimbursement Account (HRA) regulations in an effort to expand opportunities for small businesses to offer benefits and drive down their medical insurance costs. On June 30, the Department of Labor released final rules, expected to take effect in 2020.***

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**The new rules are nearly 500 pages. We understand that you're not going to take the time out of your life to read the whole thing, so we did it for you. What follows is a summary of the new regulations, their limitations, and practical pros & cons for your business.**

## *An Overview of IHRAs*

An IHRA is an Individual Health Reimbursement Account. To participate in an IHRA, Employees have to buy health insurance on their own—either through the Exchanges (Healthcare.gov) or directly from an insurer. The employer (AKA you) funds an HRA to reimburse those employees for a portion or all of their premium. Outlined below are a few specifics about the changes and updates to regulations:

- Coverage must be Affordable Care Act (ACA) qualified medical insurance. This means that short term insurance doesn't qualify.
    - You may decide to include funding for dependents and families as well as the employee.
- You may vary your contributions to the IHRA by employee class: full-time, part-time, salaried, seasonal, hourly, temporary, etc.
    - In addition to the traditional employee classes, this rule introduces the new "Regional" class. This allows you to vary contributions by region. This is especially handy if you've got employees in states where health insurance costs vary widely, such as New York and Tennessee.
    - In general, a class must comprise at least 10% of your total employee base.
- Funds in the IHRA can be set up in one of two ways: rollover or use-it-or-lose-it. You can choose to roll unused funds in the IHRA to the following year, growing the total amount available for reimbursement, or you can allow the funds to expire and the amount remain constant each year.
- Employers who are required to meet the ACA's affordability requirement[1] are still obligated to do so when offering an IHRA. You can use an IHRA to meet that requirement so long as your IHRA funding level meets that threshold.
    - Offering an IHRA that meets the affordability requirement means that an employee would not be eligible for tax credits on the ACA Exchanges.
- Your contributions to the IHRA are tax-deductible, just like group insurance premiums.
- IHRA contributions that result in reimbursements to employees aren't taxable wages for the employee.

## *Things you can't do with an IHRA*

- You can't offer both a traditional group health plan and an IHRA to the same class of employees.[2]
- You can't vary contribution amounts within an employee class. All employees of given class must receive the same contribution.[3]
- An IHRA can't be used for reimbursing deductibles or other out-of-pocket medical expenses.
- You can't use an IHRA to reimburse dental, vision, or short-term medical coverage.

[1] The affordability requirement states that the health coverage will satisfy the requirement to be affordable if the lowest-cost self-only coverage option available to employees does not exceed a stated percentage of an employee's total household income as determined by the IRS.
[2] For example, you can offer full-time employees a traditional group insurance plan and part-time employees an IHRA. This is a great tactic for retaining both long-term and temporary staff.
[3] For instance, all full-time employee IHRAs funded at $3,000 would receive $3,000, while all part-time employees IHRAs funded at $500 would receive $500. You cannot single out one full-time employee you don't like to receive less in their IHRA no matter how much they annoy you.

## *There's also an EBHRA—it's a little different.*

An Excepted Benefit HRA (EBHRA) is a supplemental HRA designed to fill in some of the gaps that an IHRA doesn't quite cover. It provides all the features and benefits of a traditional HRA but also allows employees to use the funds to cover dental and vision insurance reimbursements. Here are a few things to note about EBHRAs:

- In contrast to an IHRA, an EBHRA can be used to reimburse premiums for dental, vision, and short-term coverage.
- Employees can use an EBHRA to reimburse out-of-pocket expenses like co-pays and deductibles in addition to premiums.
- An EBHRA can't be used to fund group health insurance or Medicare.
- An EBHRA must be offered in conjunction with a group insurance program, but there is no requirement that the employee enroll in the group plan.[4]

## *How do I get an IHRA or EBHRA for my employees?*

The clock is ticking—if you want to take advantage of the new rules, your employees must enroll in an individual plan during the 2019 open enrollment period (Nov 1 – Dec 15). Setting up the actual HRA will take a bit of professional guidance. That's where we come in.

Decisely can quickly and easily help set up your HRA in time for open enrollment. Take some time to visit decisely.com/benefits today to get started doing what's best for your employees and your business.

[4]An employee can be enrolled in a spouse's plan or Medicaid and still take advantage of the EBHRA.

## About the Author

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## About Decisely

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