

HEALTH REIMBURSEMENT ARRANGEMENTS: COMPARISON CHART

INCORPORATES FINAL RULE ON HRAS ISSUED JUNE 2019

Type of HRA	Effective Date	Integration	Eligible Expenses
Limited Purpose HRA	Current	Not required	Only excepted benefits (e.g. vision/dental excepted benefits)
Traditional Group Health Plan HRA	1/1/14	Must be integrated with employer group health plan	Medical care expenses, including insurance premiums (reimbursements further limited if HRA integrated with health plan that does not provide minimum value)
Individual Coverage Plan HRA	01/01/20	Must be integrated with individual group health coverage or Medicare	Medical care expenses, including insurance premiums
Excepted Benefit HRA	01/01/20	Must be offered with traditional group health plan but enrollment is not required	Medical care expenses, but no reimbursement for premiums other than for COBRA or excepted benefits Limited to \$1,800 per year (indexed for inflation)
Retiree Only HRA	Current	Not required	Medical care expenses, including insurance premiums

ABCs OF CONSUMER DRIVEN HEALTH PLANS: HSA, HRA, AND HEALTH FSA COMPARISON CHART

	HSA	HRA	Health FSA
High deductible health plan participation required?	Yes (must meet requirements of Code Section 223)	No (but often integrated with high deductible plans)	No
Allow employer contributions?	Yes	Yes	Yes
Allow employee contributions?	Yes	No	Yes
Pre-tax contributions permitted?	Yes	No	Yes
Maximum contributions	<ul style="list-style-type: none"> For 2019: self-only – \$3,500; family – \$7,000 (indexed annually for inflation) \$1,000 annual catch-up permitted if age 55 Rollovers from other HSAs and from Archer MSAs do not count toward annual limit Nonelective employer contributions do count toward limit 	<ul style="list-style-type: none"> Generally none, except for Excepted Benefit HRA (\$1,800) Employer may impose limits through plan design 	<ul style="list-style-type: none"> For 2019: \$2,700 limit on salary reduction contributions (indexed annually for inflation) Limit applies to the plan year and is per employee, on a controlled group basis Nonelective employer contributions do not count toward limit
What types of medical expenses may be reimbursed? <i>Note: For all accounts, cannot reimburse an expense reimbursed from, or paid through, other means (i.e., no “double dipping”)</i>	<ul style="list-style-type: none"> Code Section 213(d) medical expenses other than insurance premiums (limited exceptions apply, such as for COBRA coverage) Limited to expenses incurred after HSA established Distributions for nonmedical expenses are generally taxable and subject to a 20% excise tax 	<ul style="list-style-type: none"> Generally, Code Section 213(d) medical expenses (including medical and long-term care insurance premiums; however, if the HRA is an FSA, then no reimbursement for qualified long-term care services) Note reimbursement for premiums depends on the type of HRA Limited to expenses incurred while HRA coverage in effect Employer may impose limits through plan design (see HRA Chart for a comparison) 	<ul style="list-style-type: none"> Code Section 213(d) medical expenses, but no insurance premiums, qualified long-term care services, or cosmetic procedures Limited to expenses incurred while the employee is covered by (enrolled in) the FSA
Are expenses for spouses, children and other dependents reimbursable?	Yes, may be used to reimburse expenses of employee, spouse, and tax dependents	Yes, may be used to reimburse expenses of employee, spouse, children under age 27 and tax dependents	Yes, may be used to reimburse expenses of employee, spouse, children under age 27 and tax dependents
Can unused amounts be carried over to future years?	Yes	Yes Employer may impose limits through plan design	No (limited exception for 2-1/2 month grace period OR carryover of up to \$500)
Do the restrictions on mid-year election changes apply?	No	No	Yes
Does the “use it or lose it” rule apply?	No	No	Yes
Can unused amounts be spent down following termination of active employment?	Yes, the employee owns the HSA	<ul style="list-style-type: none"> Yes, but some employers may restrict by design COBRA may apply 	No, except as permitted through COBRA continuation or through grace period or run-out period
Do nondiscrimination rules apply?	Yes, employer contributions funded through a cafeteria plan subject to Code Section 125 nondiscrimination rules; other employer contributions subject to HSA “comparability rules”	Yes, Code Section 105(h) self-insured medical expense reimbursement plan rules apply	Yes, Code Section 105(h) self-insured medical expense reimbursement plan rules and Code Section 125 cafeteria plan nondiscrimination rules apply
Is the account subject to ERISA?	Generally no, unless employer takes action to fall outside of DOL safe harbor	Yes, unless governmental or church plan	Yes, unless governmental or church plan
Must accounts be “funded” (held outside employer general assets)?	Yes, trust or custodial account is established by the covered individual	No, but watch out for ERISA trust requirement if amounts segregated from general assets	No, but watch out for ERISA trust requirement if amounts segregated from general assets