

Expanded Use of HRAs: A Comparison

Individual coverage HRAs (ICHRAs), excepted benefit HRAs (EBHRAs), and qualified small employer HRA (QSEHRAs) are a defined contribution approach to offering employee benefits. All three have some commonality with traditional health reimbursement arrangement (HRA) rules:

- Funds are employer money only, funded directly from the company's general assets.
- All amounts must be available to similarly situated individuals in a nondiscriminatory manner.

Employees can't be eligible for, or covered by, a combination of these plans. An employer may only offer one type of HRA to any class of qualified employees.

	ICHRA	EBHRA	QSEHRA
Effective Date	As of PY 2020	As of PY 2020	As of PY 2017
Company Size	Any Size	Any Size	Under 50, Non-ALE
Qualified Expenses	<ul style="list-style-type: none"> • 213(d) Expenses • Deductibles • Coinsurance • Copayments • Individual medical (IMC) premiums purchased, on or off exchange. • Medicare Premiums • Excepted Benefit Premiums: <ul style="list-style-type: none"> ◦ Dental & Vision 	<ul style="list-style-type: none"> • 213(d) Expenses • Deductibles • Coinsurance • Copayments • Excepted Benefit Premiums: <ul style="list-style-type: none"> ◦ Short Term Limited Duration Insurance (STLDI) ◦ Dental & Vision ◦ COBRA 	<ul style="list-style-type: none"> • 213(d) Expenses • Deductibles • Coinsurance • Copayments • Medical premiums (MEC) to extent that premium was not paid pre-tax. • Medicare Premiums • Excepted Benefit Premiums: <ul style="list-style-type: none"> ◦ Dental & Vision ◦ COBRA
Dollar Limits	None. An employer can contribute more for employees based on the number of dependents and age (not more than three times the maximum dollar amount available to the youngest).	\$1,800 per participant per plan year (2021)	\$5,300 single \$10,700 family (2021) An employer can base the amount on age of an employee or number of family members, based on the variation of premium.
Carryover Balance	Yes	Yes. Carryover not included in following year's annual limit.	Yes. Carryover is included in the following year's annual limit.
Prorated Amounts	Mid-year Enrollments		
Group Health Plan Allowed?	Yes, although it cannot be offered to the class of employees offered ICHRA.	Yes, must offer to employees eligible for the EBHRA although the employee doesn't need to be enrolled.	No group health plan can be offered to any employees.
Separate Excepted Benefits Coverage Allowed?	Yes	Yes	No

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Eligible Employees	<ul style="list-style-type: none"> Any employee not being offered a group health plan as defined by the plan document and classes. Must be enrolled in ACA-compliant individual medical coverage (IMC) or Medicare. 	Any employee as defined by the plan document.	Any employee as defined by the plan document enrolled in minimum essential coverage (MEC).
Classes Allowed	<ul style="list-style-type: none"> Full-time/Part-time Seasonal Salaried/Hourly Temporary Workers of Staffing Firm Geographic location Employees of Collective Bargaining Agreement (CBA) Employees Who Haven't Satisfied Waiting Period Non-resident Aliens With No U.S. Earned Income Combination of Above <p>If employer offers a traditional group health plan to any class of employees and breaks ICHRA eligibility into classes based on full-time/part-time, salaried/hourly, or geographic location, the following minimum class sizes apply:</p> <ul style="list-style-type: none"> < 100 EEs = 10 100-200 EEs = 10% of Total No. of Employees 200+ EEs = 20 EEs 	<p>Uniform availability requirements apply; benefit must be provided on same terms to all similarly situated employees, with differences only for employment based classifications, ex.:</p> <ul style="list-style-type: none"> Full-time/Part-time Salaried/Hourly Geographic Location 	<p>Can exclude:</p> <ul style="list-style-type: none"> Employed Less than 90 Days Under Age 25 Part-time Seasonal EEs Employees of CBA Non-resident Aliens With No U.S. Earned Income
ERISA Requirements	<ul style="list-style-type: none"> Plan Document SPD SBC Form 5500, if required. <p>IMC is not subject if safe harbor conditions are met. Employer must notify employees annually the plan is not subject to ERISA.</p>	<ul style="list-style-type: none"> Plan Document SPD Form 5500, if required. 	<ul style="list-style-type: none"> Plan Document SPD
Subject to COBRA	Yes	Yes	No

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	ICHRA	EBHRA	QSEHRA
Subject to NDT	Yes. Age variance permitted if no more than 3:1 ratio (proposed rules). Premium only ICHRA not subject to NDT.	Yes	No, but plan must provide benefits on the same terms to all eligible employees (same terms requirement).
Notices	<ul style="list-style-type: none"> Furnish notice 90 days prior to the plan year. First year exception for new employers: notice delivered by effective date of plan year if employer formed less than 120 days prior to plan year. Reported on W-2 - Optional. 	<ul style="list-style-type: none"> No additional requirements other than standard ERISA requirements. Amount reported on W-2 - Optional. 	<ul style="list-style-type: none"> Furnish notice 90 days prior to the plan year or date which employee becomes first eligible for QSEHRA (for newly eligible employees). Amount reported on W-2.
Employer Mandate	Can be used to satisfy offer of coverage, affordability, and minimum value requirements.	Not considered in determining minimum value and affordability.	N/A; non-ALE employer not subject to the Employer Mandate.
Premium Tax Credit	Only eligible if ICHRA eligible individual opts out of the ICHRA and the benefit is deemed unaffordable.	Still eligible.	May be eligible if individual coverage is purchased on the Exchange. Employee must inform Exchange of QSEHRA.
Compatible with HSAs	If limited to premium reimbursement or limited benefits.	If post-deductible or limited to premium reimbursement or limited benefits.	If limited to premium reimbursement or limited benefits.
Compatible with Health FSAs	Yes	Yes	No. FSA requires group health plan eligibility.
Excess Premiums Paid Through Section 125 Plans	Eligible for off exchange individual plans only.	No	No
Compatible with Medicare	Yes, can reimburse premiums for Part A, B, C and D as well as Medicare supplemental policies.	No	Yes, as long as the benefit is made available on the same terms to all eligible employees (can't reimburse for Medicare only). Can reimburse premiums for Part A, B, C, and D as well as Medicare supplemental policies.

ICHRA, EBHRA, and QSEHRA provide a lot of flexibility and choices for the employer. Our Broker Concierge team is here to help identify the best employer solutions for your agency.

Contact Our Broker Concierge Team to Learn More

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