



FACT SHEET

Technical Guidance Issued on Health Reimbursement Arrangements (HRAs)

Background

Established in 2002, Health Reimbursement Arrangements (HRAs) or Health Reimbursement Accounts are employer-funded, tax-advantaged employer health benefit plans that reimburse employees for out-of-pocket medical expenses and individual health insurance premiums. Health Reimbursement Accounts are funded solely by the employer, and cannot be funded through employee salary deductions. The employer sets the parameters for the Health Reimbursement Accounts, and any unused funds remain with the employer. There are only two requirements to establish an HRA plan: 1) the plan must be in writing; 2) The plan must be non-discriminatory (i.e. each employee receives the same reimbursable rate).

The Impact of the Affordable Care Act (ACA) on HRAs

On September 13, 2013, the Departments of Treasury, Health and Human Services, and Labor, released [Technical Release No. 2013-03](#), "*Application of Market Reform and other Provisions of the Affordable Care Act to HRAs, Health FSAs, and Certain other Employer Healthcare Arrangements.*"

The guidance stipulates that an employer that offers an HRA to two or more employees, but does not offer a group health care plan, is not compliant with annual limit regulations and the business would be subject to penalty. However, a single employee business can still offer an HRA plan and would not run afoul of compliance issues under the ACA.

The NASE does not believe that an HRA should be viewed under any circumstance as a qualified group plan and we do not disagree with the following assessment within the technical guidance, "*HRA 105 Plans, by definition, will not meet the requirements of an ACA compliant health insurance plan.*"

NASE's Call to Action

The National Association for the Self-Employed (NASE) believes the technical guidance misinterprets the intent of the ACA as it relates to these types of tools used to provide financial support to employers with less than 50 employees.

HRAs should be viewed as a tool used by businesses, with less than 50 employees, to provide some monetary relief for out-of-pocketed medical expenses incurred by the employee, including co-pays, prescription drug costs and health care deductibles.

The unintended consequence is that many groups have recommended self-employed and small business owners discontinue utilizing such plans until further notice. This reduces affordability, and therefore access to quality health coverage, which was the initial cornerstone of the ACA. The NASE calls on Congress to clarify, through legislative action, the applicability of HRAs by employers with 50 or less employees as a means of providing financial relief to their employees, as it relates to out-of-pocket health care expenses.