Employer Compliance Resource: Health Reimbursement Arrangements (HRAs)

*Presented by **IBT Consulting – Innovative Benefits***

What Is an HRA?

A **Health Reimbursement Arrangement (HRA)** is an employer-funded health benefit that reimburses employees for qualified medical expenses and, in some cases, health insurance premiums.

HRAs are governed by multiple federal laws, including:

- **Internal Revenue Code (IRC §105 & §106)**
- **ERISA**
- **Affordable Care Act (ACA)**

Unlike HSAs, **HRAs are owned and funded by the employer**, not the employee. Because of this, employers carry the primary compliance responsibility.

Why HRA Compliance Matters

HRAs can be powerful cost-management and benefit tools—but **only when properly structured and documented**.

Improperly designed HRAs may:

- Violate ACA market reform rules
- Disqualify employee premium tax credits
- Trigger excise taxes and penalties
- Create ERISA documentation failures

Compliance depends on **the type of HRA**, how it is offered, and how it coordinates with other benefits.

Common Types of HRAs

Integrated HRA

- Offered **only to employees enrolled in a group health plan**
- Must be integrated with ACA-compliant coverage
- Often used to offset deductibles or out-of-pocket costs

Qualified Small Employer HRA (QSEHRA)

- Available to employers with **fewer than 50 full-time equivalent employees**
- Cannot offer a group health plan
- Subject to **annual contribution limits**
- Requires specific employee notices

Individual Coverage HRA (ICHRA)

- May be offered by employers of **any size**
- Must be integrated with **individual health insurance coverage**
- Requires employee class design and opt-out provisions
- Interacts with ACA affordability rules

Each HRA type has **distinct compliance and documentation requirements**.

Employer Responsibilities for HRAs

Employers sponsoring an HRA must:

- Maintain **formal plan documentation** (ERISA-compliant)
- Provide required **employee notices**
- Ensure proper coordination with other benefits
- Track reimbursements for qualified expenses only
- Administer claims in compliance with ERISA procedures

HRAs are **not informal reimbursement arrangements**—they are regulated employer-sponsored plans.

ERISA Documentation Requirements

Most HRAs are considered **ERISA welfare benefit plans**, requiring:

- A written plan document
- A Summary Plan Description (SPD)
- Claims and appeals procedures
- Fiduciary oversight and recordkeeping

Failure to maintain documentation may result in **DOL penalties and enforcement action**.

ACA Compliance Considerations

HRAs must comply with ACA market reform rules, including:

- Prohibition on annual and lifetime limits
- Preventive care coverage coordination
- Affordability and integration standards (for ICHRAs)

Non-compliant HRAs may trigger **excise taxes of up to $100 per day per affected employee**.

Common Employer Compliance Pitfalls

- Reimbursing premiums without proper HRA structure
- Failing to provide required QSEHRA or ICHRA notices
- Misclassifying employees for ICHRA eligibility
- Lacking ERISA plan documents or SPDs
- Treating HRAs as informal payroll reimbursements

Most compliance issues arise from **good intentions paired with incomplete documentation**.

Documented Regulatory Sources

Employers may reference the following authoritative sources:

- **Internal Revenue Code §105 & §106** – Employer Health Reimbursements
  https://www.law.cornell.edu/uscode/text/26/105

- **IRS – Health Reimbursement Arrangements Overview**
  https://www.irs.gov/newsroom/health-reimbursement-arrangements-hra

- **DOL – ERISA Health Plan Compliance**
  https://www.dol.gov/general/topic/health-plans

- **Final Rules on ICHRAs (2019)**
  https://www.federalregister.gov/documents/2019/06/20/2019-12571/health-reimbursement-arrangements-and-other-account-based-group-health-plans

These sources govern HRA structure, documentation, and ACA coordination.

How IBT Consulting Supports Employers

IBT Consulting helps employers:

- Evaluate whether an HRA is appropriate
- Select and structure the correct HRA type
- Coordinate ERISA documentation and SPDs
- Align HRAs with ACA, payroll, and reporting requirements
- Reduce compliance risk while supporting cost-containment strategies

Our approach is **advisory, fiduciary-minded, and compliance-first**.

Final Thoughts for Employers

HRAs can offer flexibility and savings—but only when properly designed and administered.

Clear documentation and regulatory alignment protect both employers and employees.

Contact IBT Consulting

IBT Consulting – Innovative Benefits
Trusted advisor to employers navigating benefits, compliance, and fiduciary responsibility.

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