



How an Individual Coverage Health Reimbursement Arrangement (HRA) Offer Works

Health Reimbursement Arrangements (HRAs) are account-based health plans offered by employers that reimburse employees for their medical expenses:

- Employees are reimbursed tax-free up to the maximum amount the employer will reimburse for health care costs within a certain amount of time.
- Employers may allow unused funds to roll over from year to year.
- Employers can extend coverage to both the employee and the employees' household members.

As of January 1, 2020, employers can offer employees an **individual coverage HRA** instead of offering traditional job-based health coverage. An individual coverage HRA reimburses employees for medical expenses, including monthly premiums and other out-of-pocket medical expenses like copayments and deductibles.

If your employer is offering an individual coverage HRA, you'll get a notice. Your employer's notice will explain that there are different kinds of HRAs, but the HRA being offered to you is an individual coverage HRA. It'll also say whether the HRA offer extends to other household members. The term "individual coverage HRA" is used in this fact sheet, but your employer may call it something else.

How employees find out they have an individual coverage HRA offer

An employer offering an individual coverage HRA must send a notice to its employees. Examples of required information in the notice include:

- If the individual coverage HRA is offered to household members
- The maximum dollar amount available, including the self-only dollar amount for the employee, and if other household members are covered, the maximum dollar amount available to them
- The date coverage under the individual coverage HRA is first effective
- The dates the individual coverage HRA plan year begins and ends
- The dates the amounts under the individual coverage HRA will be made available

The notice must explain that employees (and any eligible household members) must enroll in individual health insurance coverage or Medicare to be covered by the individual coverage HRA. It must also describe the individual coverage HRA's potential impact on Marketplace coverage and include contact information that employees can use if they have questions about how the individual coverage HRA works.

Generally, employers must provide the notice to employees at least **90 days** before the start of the individual coverage HRA plan year. For employees who become eligible mid-plan year or after 90 days before the beginning of the start date, like new employees, the employer must provide the notice no later than the start date.

How to enroll in individual market health insurance plan

To use the individual coverage HRA, an employee (and any eligible household members) must enroll in an individual market health insurance plan that starts no later than the date their individual coverage HRA begins. Employees can enroll through the Marketplace or elsewhere (like a private plan available outside of the Marketplace), or meet this requirement with coverage through Medicare Part A (Hospital Insurance) and Part B (Medical Insurance), or through a Medicare Advantage Plan. Short-term plans and other limited benefits coverage, like dental or vision-only plans, don't meet this requirement.

If an employee and/or any eligible dependents already have individual health insurance coverage, they don't need to change it to meet the HRA's health coverage requirement.

If an employee doesn't already have individual health insurance coverage, they can enroll in coverage through the Marketplace or outside of it, like directly from an insurance company.

If you're applying for a Marketplace plan, in most states, people use HealthCare.gov to enroll in Marketplace coverage, but some states run their own Marketplace. For a list of states with their own Marketplaces, visit [HealthCare.gov/marketplace-in-your-state](https://www.healthcare.gov/marketplace-in-your-state).

When the employee fills out a Marketplace application, they'll find out if they qualify for savings on a Marketplace plan, called a "premium tax credit" that lowers the premium — the amount they pay each month to their insurance plan.

If an employee is enrolled in Medicare Part A and Part B or a Medicare Advantage Plan, their enrollment in Medicare will meet the HRA's health coverage requirement. For information on how to enroll in Medicare, visit [Medicare.gov/sign-up-change-plans](https://www.medicare.gov/sign-up-change-plans).

When to enroll in Marketplace coverage

Employees can enroll in or change Marketplace plans for the upcoming calendar plan year during the yearly Open Enrollment Period from November 1 through December 15. Employees (and eligible household members) with an individual coverage HRA that starts January 1 should enroll in their own health insurance coverage during this time. Employees (and eligible household members) must be enrolled in coverage that starts by the day their individual coverage HRA begins.

- Employees and household members newly offered an individual coverage HRA (like new employees) may qualify for a Special Enrollment Period to enroll in or change individual coverage. Generally, they'll need to enroll in coverage within the 60 days before the date their individual coverage HRA starts so that their coverage starts no later than the date their HRA begins.
- In some cases, an employer might offer different options for when an individual coverage HRA can start for employees who were hired mid-plan year to give them more time to enroll. Employees should contact their employer or check their individual coverage HRA notice to see if this applies to them. If so, they can take up to 60 days after the first day that their individual coverage HRA starts to enroll in their own health insurance plan, but they should make sure that they enroll in time for their health plan to start by the last day that their individual coverage HRA can begin.

Employees who gain a new dependent, like if they got married, had a baby, or adopted a child during their individual coverage HRA plan year should work with their employer to make sure they enroll

in individual health insurance coverage in time to meet their existing individual coverage HRA's requirement, if the individual coverage HRA covers such household members.

How individual coverage HRAs impact the premium tax credit

An individual coverage HRA offer may impact the employee's eligibility for the premium tax credit for coverage through the Marketplace. The only way the employee will qualify for the premium tax credit to help pay for Marketplace coverage is if the employee doesn't accept the individual coverage HRA and the individual coverage HRA isn't considered affordable.

For 2020, an individual coverage HRA is considered affordable for an employee if the monthly premium for the lowest-cost Silver plan for self-only coverage in the employee's area, minus the monthly amount made available to the employee under the individual coverage HRA, is equal to or less than 9.78% of 1/12 of the employee's household income.

Employees can use the decision guide at [HealthCare.gov/job-based-help/](https://www.healthcare.gov/job-based-help/) to help determine if the individual coverage HRA meets or doesn't meet requirements for "affordability." They'll include information about their individual coverage HRA when they submit a HealthCare.gov application to find out for sure.

- If an employee's HRA **doesn't meet requirements for "affordability,"** the employee must decline (opt out of) of the HRA to qualify for the premium tax credit for their Marketplace coverage, if otherwise eligible.
- If the HRA **meets requirements for "affordability,"** or the employee accepts the HRA, the employee isn't eligible for the premium tax credit for their Marketplace coverage. If the HRA includes payments to cover the expenses of the employee's household members, the employee can't get a premium tax credit for Marketplace coverage of the members.

Employees should include information about their individual coverage HRA offer when completing an application for Marketplace coverage. The Marketplace will calculate whether or not the offer meets requirements for "affordability," and will suggest whether the employee should accept or decline their HRA based on whether they could qualify for APTC instead.

- Visit [HealthCare.gov/job-based-help/#/ichra](https://www.healthcare.gov/job-based-help/#/ichra) for more information.
- Visit [HealthCare.gov/job-based-help/#/qsehra](https://www.healthcare.gov/job-based-help/#/qsehra) for more information on QSEHRAs, which certain small employers can use to help employees pay for medical care expenses.

You have the right to get Marketplace information in an accessible format, like large print, Braille, or audio. You also have the right to file a complaint if you feel you've been discriminated against. Visit [CMS.gov/about-cms/agency-information/aboutwebsite/cmsnondiscriminationnotice.html](https://www.cms.gov/about-cms/agency-information/aboutwebsite/cmsnondiscriminationnotice.html), or call the Marketplace Call Center at 1-800-318-2596 for more information. TTY users can call 1-855-889-4325.

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