Health Reimbursement Arrangements (HRAs) are account-based health plans employers offer 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.

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 costs like copayments and deductibles.

If your employer is offering an individual coverage HRA, you’ll get a notice. It will explain that there are different kinds of HRAs, but the HRA your employer is offering to you is an individual coverage HRA. It will also say if the HRA offer extends to other household members. This fact sheet uses the term “individual coverage HRA,” 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. It should include:

- If the individual coverage HRA is offered to household members

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 to ask 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 an 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 through
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 date their individual coverage HRA starts to enroll in their own health plan. However, they should be sure to 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 2022, 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 9.61% of 1/12 of the employee's household income.
Employees can use the decision guide at HealthCare.gov/job-based-help to help determine if the individual coverage HRA meets or doesn’t meet “affordability” requirements. 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 isn't considered “affordable,” they must decline (opt out of) the HRA to qualify for the premium tax credit for their Marketplace coverage, if they’re eligible.

- If the HRA is considered “affordable,” 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 household members.

Employees should include information about their individual coverage HRA offer when completing an application for Marketplace coverage. The Marketplace will calculate if the offer meets requirements for “affordability,” and will suggest if the employee should accept or decline their HRA based on if they qualify for a premium tax credit.

For more information


- Visit HealthCare.gov/job-based-help/#/qsehra to learn more about Qualified Small Employer Health Reimbursement Arrangements (QSEHRAs), which certain small employers can use to help employees pay for medical care expenses.

HOW CAN I LEARN MORE?

To learn more about coverage through the Marketplace or your benefits and protections under the health care law, visit HealthCare.gov or call the Marketplace Call Center at 1-800-318-2596. TTY users can call 1-855-889-4325.

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