

Health Reimbursement Arrangements (HRAs)

Q: What is an HRA and how does it work?

A: A health reimbursement arrangement (HRA) is an employer-sponsored spending account to reimburse a portion of a participant's eligible out-of-pocket medical expenses, such as deductibles, co-insurance, and pharmacy expenses. It's not an insurance plan; it's a reimbursement program funded entirely by an employer to help make health care more affordable.

Q: What expenses are eligible?

A: Expenses covered under an HRA depend on the way an employer has set up their HRA program. Employers can decide which expenses are eligible to be reimbursed from the HRA. Most offer an HRA in conjunction with a high deductible health plan and limit reimbursement of the funds in the account to in-network doctor visits, inpatient or outpatient hospital care, diagnostic exams and over-the-counter and prescription medications.

Q: What types of HRAs are available?

A: An employer can set up the HRA in several ways. The two most popular include:

- **HRA Pays First** – At the start of the plan year, the employer funds the HRA up to a set amount. As the employee incurs eligible expenses, the employee pays them and the HRA reimburses the employee with employer funds until the account is used up. The employee then pays for medical expenses out of pocket until the plan's deductible is met. The health plan then pays according to coinsurance amounts.

- **Employee Pays First** – The employee pays for health care expenses out of pocket until they have paid a preset amount. When this threshold is reached, the HRA pays until the account is used up. Then, the employee pays out of pocket until the plan deductible is met. The health plan then pays according to coinsurance amounts.

Q: What are the benefits to employers?

A: By offering HRAs to employees, you can save money on health insurance premiums, payroll taxes and FICA taxes. You also have control over how much your company will contribute to the HRA, and how it will be funded. An HRA works with any health plan type, and employers only pay if the employee uses the funds. On average, employees typically use 70 percent of offered funds.

Q: What are the benefits to employees?

A: The employer contributes funds to a special account to help employees save for health care expenses. Employees won't pay taxes on the money they receive and use for qualified medical expenses. Additionally, an HRA can be structured to combine with an HSA (with an HSA qualifying health plan) or with a flexible spending account (FSA), to help employees save even more and provide maximum flexibility.

Q: What is the difference between an HRA and an HSA?

A: An HRA is funded entirely by the employer, and an HSA can be funded by employees, employers or family members. An HSA is owned by the employee, while an HRA is owned by the employer.

Q: How is an HRA funded?

A: All contributions to an HRA must be made by the employer. The employer decides how much to contribute, how frequently, as well as how much of the funds can be carried over year to year.

Q: Is a debit card available?

A: Yes. A Visa® debit card is available for eligible medical expenses, and can be used at the point of purchase or after care.¹

¹The Further Visa Debit Card is issued by the Bancorp Bank, pursuant to a license from Visa U.S.A. Inc. and can be used for qualified expenses wherever Visa debit cards are accepted.

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