



## Health Reimbursement Arrangements (HRAs) Policy

### Background

- HRAs are insurance plans with tax-advantaged savings accounts set aside for healthcare spending into which employers may deposit funds up to a certain level to reimburse an employee for medical expenses. Employers may choose to allow employees to use HRA contributions for premiums as well as cost-sharing and other out-of-pocket expenses.
- A proposed rule issued by the Administration on Oct 29, 2018 would allow HRAs to be integrated with individual marketplace plans. Employers could offer HRAs in lieu of traditional plans, with some limitations.<sup>2</sup> Employees could also purchase Marketplace plans using HRA funds. Employees offered HRA plans could not be offered a traditional health insurance option.
- Currently, forty-nine percent of Americans are covered under employer-sponsored plans.<sup>1</sup> Under the proposed rule, by 2028 “integrated” HRAs are expected to provide coverage to:
  - 6.8 million employees who would otherwise have been covered by employer-sponsored plans,
  - 3.2 million employees who would otherwise purchase individual coverage without HRAs, and
  - 800,000 who would otherwise be uninsured.<sup>2</sup>
- Increased flexibility around how 1332 waivers may be used to vary coverage options could allow states to introduce less comprehensive plans, such as short-term, limited-duration plans, into their individual markets. Nothing in the proposed rule ensures that HRAs would remain as comprehensive as an employer’s current plan offering.

### Key Considerations:

1. As annual HRA contribution limits are capped, limits should be set high enough to ensure employees can purchase comprehensive health insurance for themselves and their families.
2. Because employees may not contribute pre-tax dollars to HRA accounts and those enrolled in HRAs do not qualify for premium tax credits to help them afford the cost of individual plan premiums, it is essential that employers contribute enough to make comprehensive healthcare accessible to employees offered HRAs.
3. Additional rulemaking will be necessary to prevent a plan sponsor from steering any participant *or dependents* with adverse health factors away from one coverage option into another.

### The American Heart Association’s Position

- Providing access to affordable and comprehensive health insurance coverage is a priority for the American Heart Association.
- Comprehensive insurance plans, like those offered by the Affordable Care Act (ACA), provide protection from extraordinary or catastrophic medical costs; equitable and sustained medical care for people with chronic disease; and coverage of preventive care that helps people live healthier lives free of cardiovascular disease (CVD) and stroke.
- Any proposal seeking to expand HRAs should not limit employee’s access to affordable, comprehensive health coverage. Additionally, policymakers should consider potential implications for the employer- and individual market risk pool.

For more information and resources from the American Heart Association’s policy research department on access to healthcare please visit: <https://www.heart.org/en/about-us/policy-research>.

<sup>1</sup> Health Insurance Coverage of the Total Population. *Kaiser Family Foundation*. <https://www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

<sup>2</sup> IRS, EBSA, and HHS, “Notice of Proposed Rulemaking: Health Reimbursement Arrangements and Other Account-Based Group Health Plans.” (Oct. 29, 2018) 83 FR 54420. [www.federalregister.gov/documents/2018/10/29/2018-23183/health-reimbursement-arrangements-and-other-account-based-group-health-plans](http://www.federalregister.gov/documents/2018/10/29/2018-23183/health-reimbursement-arrangements-and-other-account-based-group-health-plans)