

## New HRA Option for Employers in 2020 May Avoid ACA Employer Penalties

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New proposed rules have been issued by the federal Departments of the Treasury, Labor, and Health and Human Services that permit employers to offer health reimbursement arrangements (HRA) to employees who are enrolled in individual health insurance coverage. An employee could use such an HRA to pay the employee's premiums for individual health insurance and other medical expenses. The same HRA must be offered to an entire class of employees, and a traditional group health plan could not be offered to that class. Classes of employees include full-time, part-time, seasonal, union, employees in a waiting period, employees under age 25, non-resident aliens with no U.S. income, employees in the same insurance rating area, or a combination of those classes. The HRA contribution could increase with age, reflecting the fact that health coverage for older employees is generally more expensive, and the IRS will provide an approach for varying contributions by age that is permissible under the Internal Revenue Code Section 105(h) nondiscrimination rules. The agencies also intend to issue guidance describing a "safe harbor" HRA integrated with individual health coverage that would satisfy minimum value and affordability requirements to avoid applicable large employer penalties under the Affordable Care Act. The proposed rules also provide that the individual insurance policies purchased using HRAs would not themselves become part of an ERISA plan. [View the proposed rules.](#)