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## **HEALTHCARE REIMBURSEMENT ACCOUNTS – The Basics**

In today's business world, employers struggle with maintaining affordability of their employee benefit offering. Exorbitant healthcare expenses have put many employers in a precarious position with controlling costs and still offering healthcare benefits to their employees. Due to these cost constraints, many alternate funding healthcare designs have been created to maintain long-term affordability. Healthcare Reimbursement Accounts (HRA) are just one of the options that an employer can consider when choosing a long-term fix.

An HRA is a medical expense reimbursement plan that is coordinated with a High Deductible Health Plan. The objective of incorporating an HRA with an HDHP is to create a healthcare plan that lowers the monthly contributions for both the employer and the employee, yet offers first dollar coverage and catastrophic medical coverage to the employee. Employers find these alternate funding arrangements extremely flexible with design and administration. The employer is funding the HRA as the medical expenses are incurred by the employee. Only IRS Code section 125 eligible expenses may be paid from the HRA. HRA funds are never accessible by the employee except for qualified medical reimbursement.

The basic implementation of the HRA program requires purchasing a High Deductible Health Plan that is stripped of co-pay's and setting up an HRA with a specific reimbursement amount. As the employee utilizes services under the medical program, the HRA will reimburse the expenses until the account balance is exhausted. The insured is then subject to the "bridge" or deductible and coinsurance. If the HRA isn't exhausted during the calendar year, the plan can be designed to allow the unused funds to carry forward to cover future qualified expenses in the next plan year.

The end result for employers is that an HRA can produce long term savings to control budget ability and maintain employer sponsored group benefit offerings to employees.

### **About the Author**

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