

Health Reimbursement Arrangements (HRA)

What is an HRA?

An HRA is an account established by an employer to reimburse employees for certain out-of-pocket expenses such as deductible expenses.

HRA Plan Features

- An HRA can be established with any underlying health insurance plan.
- An HRA is a “promise to pay”. Employers only need to reimburse expenses that are actually incurred.

Why would I want an HRA?

An HRA allows your employer to provide a lower cost insurance plan, which translates to lower deductions for your health insurance.

In addition, an HRA reduces your out-of-pocket costs, generally deductible expenses. This gives you the benefit of a lower deductible plan at the cost of a higher deductible plan.

How do I use my HRA?

You need only use your medical plan as you would without an HRA. The claims on the medical plan will automatically be sent to the HRA administrator. When you incur an expense that is eligible for reimbursement, you will be sent a check automatically.

Keep in mind that your HRA is separate from your health insurance plan.

Your health insurance and HRA are two separate things. The health plan has a set deductible and you will be billed for expenses subject to that deductible. If the HRA covers a portion of that deductible, you will receive a reimbursement. It is important to remember that you will still be required to pay the full deductible expenses.

For example:

Your plan has a \$2,500 deductible. Your HRA covers the last \$1,350 of that deductible.

You have a hospital stay that costs \$2,500 and is subject to your deductible.

The hospital will first submit the claim to the health insurance carrier. They will send you a bill for \$2,500 after the insurance companies notifies them that the \$2,500 charge is subject to deductible and therefore your responsibility to pay.

You will receive \$1,350 from the HRA. You will be responsible to pay the full \$2,500 bill from the hospital.