

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 can help you reduce your health insurance premium without burdening employees with additional out-of-pocket costs.

An HRA provides transparency to an employer to better understand the utilization habits of your group.

An HRA engages employees so they will be more aware of the cost of health care services, which can lead to better utilization habits.

How can an HRA save me money on health insurance premiums?

The savings generated by changing to a less expensive health plan is often greater than the funding requirement of the HRA.

If I only have to reimburse actual expenses, can I expect some of the funds I've allocated to not be used? What happens to those funds?

An HRA will generally have about a 20-30% loss ratio. This means that if you had a group of 100 employees, each with a \$1,000 HRA, your liability would be \$100,000. In reality, however, not all employees will incur claim expenses. Actual expenses would generally run around \$20,000 to \$30,000. The employer retains the savings.

Can I share the savings with my employees?

Absolutely. There is a great deal of flexibility with an HRA. One option is to allow a roll over option to employees for unused funds to add to the following years HRA.