On June 13th, the U.S. Department of Health and Human Services, the Department of Labor and the Treasury issued a ruling that allows employers to offer an individual coverage HRA (ICHRA) in place of group coverage plans. This ruling takes effect January 1st, 2020 and includes some other regulatory updates regarding how HRAs may be used and taxed. Here are the important updates and changes to know:

Individual Coverage HRA

Under the new regulations, employees will be able to use their employer-funded ICHRA to buy individual-market insurance. Employers can now offer the benefit it feels is a best fit for each class of employees.

Employees can use their plans to pay the balance of the premium for off-Exchange plans on a pre-tax basis. HSA-qualified health insurance purchased with funds from an ICHRA is HSA-compatible.

Exceptional Benefits

Additionally, the ruling expands the definition of limited excepted benefits by deeming certain HRAs as excepted benefits that are not subject to ACA requirements. This allows employers who offer traditional employer-sponsored coverage to offer an HRA of up to $1,800 per year to reimburse expenses such as individual coverage consisting solely of excepted benefits (e.g. standalone dental and vision plans as well as certain worksite and disability benefits), group health plans consisting solely of excepted benefits, short-term insurance plans, and COBRA coverage.

Related Regulations

Within the rule, there were a few additional provisions related to HRA expansion. They include:

• Rules regarding expanded premium tax credit eligibility for individuals offered coverage an HRA integrated with individual health insurance coverage.

• A clarification that individual health coverage reimbursed by an HRA does not become part of an ERISA plan.

• A proposed new rule that provides a special enrollment period in the individual market for individuals who gain access to an HRA integrated with individual health coverage.

These rules will provide more affordable, more flexible way for employers to manage their coverage options. Call your Richards Group Benefits Advisor for further information at 800-251-6016.