

Employer Savings with an HRA

What is an HRA?

A Health Reimbursement Arrangement (HRA) is a tax-advantaged plan, sanctioned by the IRS, which allows employers to reimburse employees for specific medical expenses.



Important Facts about HRAs

- All HRA funds utilized by employees are tax-deductible to the employer
- HRA funds are tax free to the employees – doesn't count towards their income
- Only Employers can contribute to HRAs
- HRAs can only be offered to Employees that are enrolled in an ACA-compliant Group-sponsored health plan
- Employers choose what expenses are eligible on the HRA, examples include but are not limited to:
 - * Medical Deductible
 - * Co-pays and Coinsurance
 - * Prescriptions
 - * Dental and/or Orthodontia
 - * Vision Expenses
- Employers choose the HRA maximum funding amount available to employees
- There is no pre-funding requirement – employers pay claims as they are incurred by employees, and employers can choose the schedule of when funds become available
- All reimbursements from HRAs to employees must be “substantiated” – in other words, the employer must be able to prove that the money is going towards eligible expenses

SAVINGS EXAMPLE: A 22 life client moving from a traditional \$30/\$50/\$100 copay health plan to a \$2000/\$4000 high deductible health plan with a \$1500/\$3000 HRA

		Current Plan	Proposed Plan	Monthly Premium Savings	Annual Premium Savings	HRA Contributions Per Participant	Annual HRA Contributions
Single	8	\$592.31	\$424.92	\$167.39	\$16,069.44	\$1,500.00	\$12,000.00
EE + Spouse	2	\$1,232.00	\$883.83	\$348.17	\$8,356.08	\$3,000.00	\$6,000.00
EE + Child	3	\$1,273.46	\$913.57	\$359.89	\$12,956.04	\$3,000.00	\$9,000.00
Family	9	\$1,693.99	\$1,215.26	\$478.73	\$51,702.84	\$3,000.00	\$27,000.00
Total	22	\$4,791.76	\$3,437.58	\$1,354.18	\$89,084.40		\$54,000.00

SAVINGS SUMMARY				
HRA Utilization	100%	65%	50%	35%
Premium Savings	\$89,084.40	\$89,084.40	\$89,084.40	\$89,084.40
Less: HRA Utilization	\$54,000.00	\$35,100.00	\$27,000.00	\$18,900.00
Less: HRA Admin Fees	\$2,604.00	\$2,604.00	\$2,604.00	\$2,604.00
Est. Annual Savings	\$32,480.40	\$51,380.40	\$59,480.40	\$67,580.40

Questions? Contact Sales

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