

Individual Coverage Health Reimbursement Arrangements and the Marketplace

July 2019



Disclaimer

The information provided in this presentation is intended only as a general informal summary of technical legal standards. It is not intended to take the place of the statutes, regulations, and formal policy guidance that it is based upon. This presentation summarizes current policy and operations as of the date it was presented. Links to certain source documents have been provided for your reference. We encourage audience members to refer to the applicable statutes, regulations, and other interpretive materials for complete and current information about the requirements that apply to them.

While general references to the “Marketplace” apply to agents and brokers in Federally-facilitated Marketplaces (FFMs), and State-based Marketplaces on the Federal Platform (SBM-FPs), this presentation can also help agents and brokers in State-based Marketplaces (SBMs) to understand how the 2019 Final Rule on Health Reimbursement Arrangements (HRA) and Other Account-Based Group Health Plans may impact their clients’ coverage options and related decision-making processes. However, agents and brokers in SBMs should contact their Marketplace directly regarding questions about how this rule will be operationalized.

- *For more information on the Final HRA Rule, please see <https://www.federalregister.gov/documents/2019/06/20/2019-12571/health-reimbursement-arrangements-and-other-account-based-group-health-plans>, and other resources provided in this training.*
- *For information on guidance for Agents and Brokers in the FFMs and SBM-FPs, please review the guidance on our Agents and Brokers Resources webpage (<http://go.cms.gov/CCIIOAB>) and [Marketplace.CMS.gov](https://www.cms.gov/marketplace).*

This communication was printed, published, or produced and disseminated at U.S. taxpayer expense.

Individual Coverage HRAs: Introduction

In June 2019, the Departments of Treasury, Labor, and Health & Human Services jointly published a final rule to expand the flexibility and use of health reimbursement arrangements (HRAs) and other account-based group health plans to provide Americans with additional options to obtain quality, affordable health care.

Resources:

- [Health Reimbursement Arrangements and Other Account-Based Group Health Plans – Final Rule](#)
- [Notice of Proposed Rulemaking on Health Reimbursement Arrangements and Other Account-Based Group Health Plans](#)

Individual Coverage HRAs: Introduction (Continued)

1. An HRA is a group health plan funded solely by employer contributions that reimburses an employee's medical care expenses up to a maximum dollar amount for a coverage period.*
2. An individual coverage HRA requires employees and any covered dependents to be enrolled in individual health insurance coverage** in order to be covered by and receive reimbursements for medical care expenses from the HRA, which may include premiums and cost sharing for individual health insurance coverage.

* *Medical care expenses mean expenses for medical care as defined under section 213(d) of the Internal Revenue Service Tax Code.*

** *An employee or covered dependent with an individual coverage HRA could purchase individual health insurance coverage through the Marketplace. However, under Internal Revenue Code section 125(f)(3), an employer may not permit an employee to make salary reduction contributions to a cafeteria plan to pay the portion of the Marketplace coverage premiums not covered by the individual coverage HRA.*

Individual Coverage HRA Employer Notice

- An employee who is offered an individual coverage HRA will generally get a written notice at least 90 days before the beginning of the HRA's plan year.
- However, employees who become eligible during the plan year (such as newly hired employees) will get their notice no later than the date on which their individual coverage HRA can begin.
- The final rule requires this notice to include key information about the individual coverage HRA, such as the dollar amount of the HRA offer, the date that coverage under the HRA may begin, and whether the offer extends to dependents (among other things).

Resource: For more information on the notice employers must send employees to whom they offer an individual coverage HRA, see the [Individual Coverage HRA Model Notice](#).

Individual Coverage HRAs and the Marketplace

- An individual who is offered an individual coverage HRA that is affordable is not eligible for the premium tax credit (PTC).
- However, if the individual coverage HRA is not affordable based on standards set forth in the final rule, an employee and any dependents to whom the HRA is offered may “opt out” of the HRA in order to be PTC-eligible.
- Employees (and their dependents, if applicable) will generally have one chance per year, in advance of the first day of their HRA’s plan year, to opt out of their individual coverage HRA.

Individual Coverage HRAs and the Marketplace (Continued)

- Employees and their dependents who newly gain access to an individual coverage HRA may qualify for a special enrollment period (SEP) to enroll in individual coverage through or outside of the Marketplace.
- Generally, qualified individuals will need to apply for and enroll in individual health insurance coverage in time for it to take effect by the date that their individual coverage HRA starts.
- Consumers applying for Marketplace coverage will need to submit documentation to confirm their SEP eligibility.

Learning More About Individual Coverage HRAs

- Employers may begin offering individual coverage HRAs that start as of January 1, 2020, for which they generally will need to send their employees a required notice 90 days in advance.
- The Marketplace will present an additional webinar prior to the 2020 Open Enrollment period to provide you with more information on how to help clients who have an individual coverage HRA offer from an employer and who wish to enroll in Marketplace coverage.

Resource: For more information about individual coverage HRAs, see this page: <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/Health-Reimbursement-Arrangements.html>.

Acronym Definitions

| Acronym | Definition |
|---------|---|
| FFM | Federally-facilitated Marketplace |
| HRA | Health Reimbursement Arrangement |
| PTC | Premium Tax Credit |
| SBM | State-based Marketplace |
| SBM-FP | State-based Marketplace on the Federal Platform |
| SEP | Special Enrollment Period |

Additional Resources

For additional information about the Marketplace Agent and Broker Program, please visit <http://go.cms.gov/CCIIOAB>