



## West Virginia Offices *of the* Insurance Commissioner

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### Information for Consumers Offered a Health Reimbursement Arrangement (HRA) by their Employer

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#### The Basics

An HRA is an employee health benefit that reimburses you for your health care expenses (and sometimes your family members' health care expenses) up to a certain dollar amount. There are several types of HRAs. This page focuses on two types: **Individual Coverage HRAs (ICHRA)** and **Qualified Small Employer HRAs (QSEHRA)**. Unlike other types of HRAs, these HRAs can be used to help pay for individual health insurance coverage, and they can affect whether you're eligible for a tax credit for Marketplace coverage. Each of these HRA types also comes with rules about what coverage you must have in order to use the HRA.

If you are offered an Individual Coverage HRA or a Qualified Small Employer HRA, you should have received a clear notice from your employer explaining the terms of the HRA. The type of HRA will appear prominently on that notice.

To learn how an HRA affects your tax credit eligibility and what to do next, visit the Marketplace's HRA Worksheets listed below. Have your HRA notice on hand, as you will need information from it to use on the worksheet. You can also read about the HRA rules below.

[Individual Coverage HRA \(ICHRA\) Worksheet](#)

[Qualified Small Employee HRA \(QSEHRA\) Worksheet](#)

#### Individual Coverage HRA

An Individual Coverage HRA is a new type of HRA that can be used to help purchase an individual health insurance policy. To use the HRA, you need to be enrolled in individual coverage or Medicare. Being offered an Individual Coverage HRA can affect whether you're eligible for a tax credit for Marketplace coverage. It does not impact your eligibility for Medicaid.

You can either accept the HRA or opt out. The best choice for you depends on your other health care options. For example, if you are eligible for Medicaid or for a tax credit to help you pay for Marketplace coverage, those options may be more affordable for you than purchasing coverage using the HRA.

If your HRA is considered "affordable," you generally are not eligible to receive a tax credit from the Marketplace, regardless of whether you opt out of the HRA. Even if your HRA is considered "unaffordable," you may not accept the HRA and also receive a Marketplace tax credit. If you enroll in Marketplace coverage with a tax credit, tell your employer that you are opting out of the HRA.

To learn about your options, including how the HRA affects your eligibility for a tax credit, visit the [Marketplace's ICHRA Information](#).

### ***How does an individual coverage HRA offer affect eligibility for a tax credit from the Marketplace?***

If you are a **current employee**, it depends:

- If the individual coverage HRA is considered **affordable**, you may not claim [a tax credit] for yourself or any family members eligible for the HRA. This is true even if you opt out of the HRA.
- If the individual coverage HRA is considered **unaffordable** and you opt out of the HRA, you may claim [a tax credit] for yourself and any family members enrolled in Marketplace coverage if you are otherwise eligible.

Whether the HRA is considered affordable depends on how much you would have to spend, after using the HRA, to purchase the cheapest silver plan available to cover you alone (referred to as “self-only coverage”). The [Individual Coverage HRA \(ICHRA\) Worksheet](#) will help you decide.

If you are a former employee, an HRA offer will not prevent you from claiming a tax credit (if you are otherwise eligible for it), regardless of whether the HRA is considered affordable, – as long as you don't accept the HRA.

### ***What type of coverage do I need to use an individual coverage HRA?***

If you decide to accept the individual coverage HRA, you (and your family members, if applicable) must be enrolled in individual health insurance coverage or Medicare for each month you (or your family members) are covered by the HRA.

Individual health insurance coverage must generally be “ACA-compliant,” meaning it satisfies the Affordable Care Act's requirements related to pre-existing conditions, covered benefits, and coverage limits. (In rare cases, coverage held continuously since 2013 may also qualify even if it doesn't satisfy all the ACA requirements.) You may not use the HRA with more limited coverage like a short-term limited-duration plan, plans that only cover “excepted benefits” (for example, a dental- or vision-only plan), or a health care sharing ministry.

If you are enrolled in Medicare Parts A and B or in Medicare Part C (also known as Medicare Advantage), your enrollment in Medicare will meet the HRA's health coverage requirement.

### ***Where should I purchase individual coverage with my individual coverage HRA?***

You can purchase individual health insurance coverage either through the Marketplace or outside of the Marketplace – for example, directly from an insurance company. The Marketplace makes it easy for you to see all your options and compare plans. However, if your employer has offered you a “salary reduction agreement” (also referred to as a “cafeteria plan” or “125 plan”) to pay the share of the health insurance premium not covered by the HRA, you may be better off using your HRA to buy individual coverage **off Marketplace**. That's because federal law prohibits using a salary reduction agreement to help pay for Marketplace coverage. To use an HRA and a salary reduction agreement together, you must enroll in individual coverage outside the Marketplace. If you enroll outside of the Marketplace, be sure that you are enrolling in “ACA-compliant”

coverage, as explained above under “*What type of coverage do I need to use an individual coverage HRA?*”.

If you have questions about your employee health benefits, ask your employer.

## **Qualified Small Employer HRA (QSEHRA)**

A Qualified Small Employer HRA (QSEHRA) is a type of HRA that can be used to help purchase an individual health insurance policy or used with other qualifying coverage. QSEHRAs can only be offered by qualified small employers – those with fewer than 50 full-time employees (or an equivalent number of part-time employees). Being offered a QSEHRA can affect whether you’re eligible for a tax credit for Marketplace coverage and the amount of your tax credit.

### ***My employer is offering a QSEHRA. How can I learn about my options?***

To learn about your options, including how your QSEHRA affects your eligibility for a tax credit, visit the [Marketplace’s QSEHRA Information](#) and refer to [Qualified Small Employee HRA \(QSEHRA\) Worksheet](#).

### ***How does a QSEHRA affect eligibility for a tax credit from the Marketplace.***

If you are a current employee, it depends:

- If the QSEHRA is considered **affordable**, you may not claim [a tax credit] for yourself or any family members eligible for the QSEHRA.
- If the QSEHRA is considered **unaffordable**, you may claim [a tax credit] for yourself and any family members enrolled in Marketplace coverage if you are otherwise eligible. However, being offered a QSEHRA reduces the amount of [tax credit] you can receive. When you’re asked to set your monthly [tax credit] amount, reduce what you accept by your monthly QSEHRA amount to help avoid having to pay back money at tax time.

Whether the QSEHRA is considered affordable depends on how much you would have to spend, after using the QSEHRA, to purchase the second-lowest-cost silver plan available to cover you alone (referred to as “self-only” coverage). The [Qualified Small Employee HRA \(QSEHRA\) Worksheet](#) can help you decide.

If you are a former employee, a QSEHRA does not prevent you from claiming a tax credit (if you are otherwise eligible for it), regardless of whether the QSEHRA is considered affordable.

### ***What type of coverage do I need to use a QSEHRA?***

To use your QSEHRA, you (and your family members, if applicable) must be enrolled in Marketplace coverage or other [qualifying health insurance coverage](#) for each month you (or your family members) are covered by the QSEHRA. You may not use your QSEHRA if you enroll only in more limited coverage like a short-term limited-duration plan, plans that only cover “excepted benefits” (for example, a dental- or vision-only plan), or a health care sharing ministry.