

# HRAs Can Help Your Staff Pay for Medical Expenses

AS RISING health insurance premiums and out-of-pocket costs for health care are burdening workers, more employers are looking for ways to help their staff put aside money for those expenses.

While health savings accounts have grown in popularity, you can only offer them to employees who are enrolled in high-deductible health plans. Fortunately, there is another option: a health reimbursement arrangement (HRA).

Employers fund these accounts, which reimburse your staff for qualified medical expenses and, in some cases, insurance premiums.

You can claim a tax deduction for the funds you transfer to your employees' HRAs, and the funds they withdraw from the accounts to reimburse for medical-related expenses are generally tax-free.

Unlike HSAs and flexible spending accounts, though, HRAs are solely funded by employers. Also, unlike HSAs, they are not portable if an employee moves to a new employer.

In addition, federal regulations dictate what types of health care expenses HRAs can reimburse, and those rules vary depending on the type of HRA you offer.

Depending on the type of HRA, funds may be used to reimburse:

- Health insurance premiums,
- Vision and dental insurance premiums,
- Coinsurance, copays and out-of-pocket medical outlays, and
- Qualified medical expenses.

## How HRAs work

You decide how much you want to fund your employees' HRAs. Under federal regulations, you must fund all like employees' HRAs with the same amount. So, if you have 12 sales reps, each one would have to get an HRA funded with the same amount, but managers and supervisors could receive a different sum.

Employees can only withdraw funds from their account to reimburse for a legitimate expense they have already paid for. Another option is to provide them with an HRA debit card, which they can use to pay for qualified medical expenses.

Once they have depleted the funds in their HRA for the year, they have to pay for medical expenses out of pocket.

Any HRA money that is unspent by year-end may be rolled over to the following year, although an employer may set a maximum rollover limit that can be carried over from one year to the next.

## Types of HRAs

There are a number of different HRAs:

**Integrated HRA** – This type of HRA requires employees to also be covered by a group major medical plan. It generally reimburses out-of-pocket medical expenses.

**Dental/vision HRA** – This type of HRA limits reimbursements to only dental and/or vision expenses.

**Qualified Small Employer Health Reimbursement Arrangement** – This type of HRA is only available to employers that have fewer than 50

employees. The maximum annual reimbursement amount is \$5,450 for self-only employees (\$454.16 per month) and \$11,050 for employees with a family (\$920.83 per month).

QSEHRAs are typically used to (legally) allow employers to reimburse their workers for individual health insurance premiums, in addition to other out-of-pocket expenses being reimbursed.

**Individual Coverage HRA** – This type of HRA is available to employers of all sizes, and employees must be covered by an individual health insurance plan to be eligible.

The primary intent of the ICHRA allows reimbursement of individual health insurance premiums, but other out-of-pocket expenses, such as copays and deductibles, can also be reimbursed.

Employees can use these HRAs to buy their own comprehensive individual health insurance with pretax dollars either on or off the Affordable Care Act's health insurance marketplace.

**Excepted Benefit HRA** – This HRA will allow for the reimbursement of COBRA premiums, short-term medical plan premiums, dental and vision expenses. The annual reimbursement limit for an EBHRA is \$1,800 (adjusted for inflation).

## The takeaway

An HRA is another tool in helping you retain and attract talent.

In fact, you can even pair an HRA with an HSA, as long as the HRA is HSA-qualified.

In these instances, you would need to offer a "limited-purpose HRA" that only reimburses employees for expenses that are exempt from the HSA deductible requirement, including:

- Health insurance premiums,
- Long-term care premiums,
- Dental expenses, and
- Vision expenses.



If you have questions about your coverage or our products, please reach out to me:

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