

## What is an HRA?

brought to you by  
Valerie Clark



### Defined

An HRA is a Health Reimbursement Arrangement.

- It's an account entirely funded by your employer—on your behalf—that you can use to pay for health care expenses that are not covered by another plan.
- But your HRA generally does not work alone. You also have traditional health coverage—an insurance plan with a high deductible. Once you use up the funds in your HRA, you may have to pay out of pocket for any additional expenses, until you meet the deductible of your plan. Then, once you meet the deductible, your plan begins to pay its share of the costs. Your insurance plan gives you protection when you need it, for major items like surgery or childbirth.

Because you have an account full of cash to spend on your health care needs, you may be wondering: What's the best way to spend this money? How can I be sure I'm getting the most for my health care dollars? Not to worry. You will have online tools, worksheets, glossaries and other materials and services that will give you the answers you are looking for.

### Eligibility

Eligibility rules for HRAs are very simple. Basically, they are the same as the rules your employer uses to determine eligibility for its other health care plans.

### Eligible Expenses

Which expenses can be covered by your HRA?

In general, your HRA is designed to cover expenses that are not covered by another health plan. It includes items like eyeglasses, doctor's fees, prescription and certain over-the-counter medications. It also includes copayments, coinsurance and deductible amounts you are responsible for under your traditional health plan. Note that all these expenses must be considered "qualified medical expenses" by the IRS.

Whose expenses can be covered? Your expenses are obviously eligible, since you are the holder of the account. But you can also claim expenses for your spouse and eligible

#### EXHIBIT I Health Care

Document consists of 2 pages

☒ Entire document provided.

☐ Due to size limitations, pages \_\_\_\_\_ provided.

A copy of the complete document is available through the Research Library (775/684-6827 or e-mail [library@lcb.state.nv.us](mailto:library@lcb.state.nv.us)). Meeting Date: March 15, 2006

dependents.

Remember, though, that it's your employer who decides which expenses are eligible for reimbursement. Your employer will provide you with a list of eligible expenses that applies to your HRA.

### How it Works

- Enroll in a high deductible health plan
- Your employer deposits funds into the account on your behalf. How much the company contributes is determined by your company.
- Receive care. You will generally use a debit card or special check to use the funds in your HRA. But you may also need to submit a paper claim form for reimbursement, with a copy of your bill or Explanation of Benefits (EOB). In that case, you will receive a check as your reimbursement.
- If you use up the funds in the account before you meet your plan deductible, then you have to pay out of pocket until you meet that deductible. And once you meet the deductible, the high deductible plan begins to pay its share of costs.
- If you have money left in your account at the end of the year, it just rolls over into the following year, creating a bigger nest egg for future medical expenses.
- It's easy to find out the balance in your account at any time. You will have access via a special customer service number, or possibly through the Internet.
- If you leave your job, you generally forfeit the balance you have in your account.

### Invest in Your Health

The best part of an HRA is that your employer sets up and maintains the account on your behalf, so there's no work for you.

The next best part of the HRA is that everything is tax-free for you. The money your employer contributes and your reimbursements are both tax-free.

---