

# HRAs & HSAs Can Be Compatible

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## Quick Facts

- Health Reimbursement Arrangement (HRA) design will determine whether high deductible health plan (HDHP) participants can also maintain eligibility to contribute to a health savings account (HSA).
- A general-purpose HRA offering will make all participants ineligible to contribute to an HSA.
- A post-deductible HRA or limited-purpose HRA will not interfere with HSA eligibility.
- In building out a plan design involving an HDHP and HRA, employers should carefully consider how it will be administered.

## Background

Employers offering a high deductible health plan may want to offer HDHP participants a health reimbursement arrangement HRA to buy down the deductible. The HRA design will determine whether HDHP participants can also maintain eligibility to contribute to an HSA.

## Types of HRAs

An HRA must be funded by employer dollars and never by employee contributions. An HRA offered alongside, or integrated with, an HDHP will generally be structured in one of three ways:

1. General-purpose HRA – Immediately available to reimburse qualifying medical expenses up to a certain annual dollar limit.
2. Post-deductible HRA – Not available until after a participant incurs claims up to a set dollar amount, and thereafter available to reimburse qualifying medical expenses up to an annual dollar limit.
3. Limited-purpose HRA – Immediately available, but only for limited-scope dental and vision expenses up to an annual dollar limit.

## Interference with HSAs

A general-purpose HRA offering will make all participants ineligible to contribute to an HSA. Having access to reimbursement for qualifying medical expenses prior to incurring claims of at least \$1,500 for single HDHP coverage, or \$3,000 for family HDHP coverage in 2023, is disqualifying for purposes of HSA eligibility. This is true regardless of whether or not the participants receive any reimbursement from the HRA.

However, a post-deductible HRA or limited-purpose HRA will not interfere with HSA eligibility. A post-deductible HRA paired with an HDHP allows for HSA eligibility so long as the HRA does not provide coverage before the individual incurs claims of at least \$1,500 for single or \$3,000 for family coverage

(in 2023). In addition, a limited-purpose HRA (available solely to reimburse dental or vision expenses) paired with an HDHP also allows for HSA eligibility.

For example, an HDHP offering single coverage with a \$4,500 deductible and \$7,000 maximum out-of-pocket (OOP), paired with a post-deductible HRA, is available to reimburse up to \$3,000 in claims after \$1,500 in claims has been incurred, which will satisfy the 2023 IRS minimum deductible for a qualified HDHP.

Finally, a combination limited-purpose and post-deductible HRA paired with an HDHP will also allow for HSA eligibility. For example, the HRA could provide limited-purpose reimbursement (solely for dental or vision expenses) until the minimum HDHP deductible is met (\$1,500 for Single; \$3,000 for Family in 2023) and then become available to reimburse all qualifying medical expenses once the deductible is met. This is confirmed in [IRS Notice 2004-45](#).

## Summary

In building out a plan design involving an HDHP and HRA, employers should carefully consider how it will be administered. For example, will the carrier administering the HRA automatically apply HRA reimbursement when appropriate while administering claims? Will there need to be coordination with a separate third-party administrator (TPA)? Assuming the plan design allows for HSA eligibility, will the employer coordinate with an HSA vendor and offer an HSA through its cafeteria plan, allowing employees to make pre-tax HSA contributions?

Once a plan design is chosen, it is important to help plan participants understand their payment responsibilities and any administrative responsibilities required to obtain HRA reimbursement, perhaps aided by examples like those above. In addition, employees may need assistance understanding HSA eligibility, contribution, and reimbursement requirements, including reimbursement coordination between the HRA and HSA.

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