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HRA Comparison

Choosing the right health reimbursement arrangement (HRA) can be complex, as each type has unique eligibility requirements, reimbursement structures, tax implications, and compliance obligations. Here is a side-by-side comparison of the key characteristics of each type.

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	Traditional HRA	QSEHRA	ICHRA	EBHRA
What is it?	A traditional **health reimbursement arrangement (HRA)** is a tax-advantaged employer-sponsored medical reimbursement plan. HRAs allow employers to reimburse employees for certain qualified healthcare expenses.	A **qualified small employer health reimbursement arrangement (QSEHRA)** allows small employers with fewer than 50 employees, including full-time equivalent employees, that do not offer a group health plan to any of their employees to help cover the cost of individual health insurance and qualified healthcare expenses. For tax-free benefits, employees must be enrolled in a plan that offers MEC.	An **individual coverage health reimbursement arrangement (ICHRA)** allows employers of any size to support specific classes of employees with the cost of individual health insurance and qualified healthcare expenses on a tax-free basis.	An **excepted benefit health reimbursement arrangement (EBHRA)** is for employers that offer an ACA-compliant group health plan and provides tax-free reimbursement for "excepted benefits," such as premiums for dental, vision, or short-term limited-duration insurance, along with qualified healthcare expenses.
Who owns the account?	Employer	Employer	Employer	Employer
What type of corresponding health plan is allowed?	Compatible with any group health plan. If the HRA covers medical expenses, it must be integrated with another group health plan (i.e., cannot stand alone).	Individual health insurance, Medicare, or Medicare supplemental insurance (Medigap).	Individual health insurance coverage, Medicare Part A and Part B, Medicare Part C, or Medigap.	Other group health plan coverage (that is not limited to excepted benefits and is not an HRA or other account-based group health plan) that is compliant with the ACA.
Can the account be integrated with other accounts?	Yes, including an HFSA. To be compatible with a HSA, the HRA must be limited-purpose (covering only dental and vision expenses) or post-deductible (covering expenses only after the HDHP deductible is met) to maintain HSA eligibility for the employee.	No, if sponsored by the employer. Generally cannot be offered with employer-sponsored group health coverage.	Must be integrated with individual market health insurance or Medicare. Can be paired with an HFSA. To be compatible with an HSA, the ICHRA must be limited-purpose (covering only dental and vision expenses) or post-deductible (covering expenses only after the HDHP deductible is met) to maintain HSA eligibility for the employee.	Yes, including an HFSA. Generally not HSA-compatible because the EBHRA can reimburse a range of expenses beyond premiums and excepted benefits, which disqualifies employees from contributing to an HSA.
Who can contribute?	Employer only.	Employer only.	Employer only. However, if the employer's contribution does not cover the full premium, the employee can contribute the excess funds.	Employer only.

See the Glossary for other terms used in this chart.

	Traditional HRA	QSEHRA	ICHRA	EBHRA
Is there a contribution limit?	There are no federal contribution limits. Employers have the flexibility to set the contribution amount.	Yes, indexed annually ($6,350 if single coverage and $12,800 if family coverage for plan year 2025; $6,450 if single coverage and $13,100 if family coverage for plan year 2026). The amounts are prorated if covered for less than 12 months.	There are no federal contribution limits. Employers have flexibility to set the contribution amount, though they must consider the ACA affordability requirements if they are subject to the employer mandate.	Yes, indexed annually ($2,150 in 2025 and $2,200 in 2026).
Is it eligible for tax savings?	**Employer:** Contributions are tax-deductible as a business expense. **Employee:** Contributions are excluded from gross income. Reimbursements for eligible expenses are not subject to income or payroll taxes.	**Employer:** Contributions are tax-deductible as a business expense. **Employee:** Contributions are excluded from gross income. Reimbursements are excluded from gross income if the employee has MEC, otherwise they are treated as taxable income.	**Employer:** Contributions are tax-deductible as a business expense. **Employee:** Contributions are excluded from gross income. Reimbursements for eligible expenses are not subject to income or payroll taxes.	**Employer:** Contributions are tax-deductible as a business expense. **Employee:** Contributions are excluded from gross income. Reimbursements for eligible expenses are not subject to income or payroll taxes.
Is it subject to tax reporting?	Generally no separate Form W-2 reporting requirement for the HRA itself.	Yes. Employers must report the permitted QSEHRA benefit on Form W-2, Box 12, using Code FF.	Yes. The aggregate cost of coverage generally must be reported on Form W-2, Box 12, using Code DD.	Yes. The aggregate cost of coverage generally must be reported on Form W-2, using Code DD.
Is it available through a § 125 (cafeteria) plan?	No	No	Can be, subject to plan design, for any part of the premium for individual health insurance coverage purchased outside the Marketplace not covered by the ICHRA.	No
Which employees are eligible?	Employers have flexibility in determining employee eligibility. Cannot be offered to employees who are not enrolled in the employer group health plan. Can be restricted to certain groups, such as full-time employees, or other criteria defined by the employer.	Employers must generally offer the QSEHRA to all full-time employees on the same terms. Employers may exclude certain groups, including: • Part-time and seasonal employees. • Employees who have not completed 90 days of service. • Employees under age 25. • Union employees (if collectively bargained).	Employers can offer ICHRA to any class of employees they choose, and can define classes based on various criteria, including: • Full-time or part-time status. • Salaries versus hourly. • Geographic location. • Employees covered by a collective bargaining agreement. • Seasonal or temporary workers. Employees must have individual health insurance coverage or Medicare for eligibility.	Employers can determine employee eligibility. EBHRAs can only be offered to employees who are also offered a traditional group health plan by the employer, though they are not required to enroll in the group plan to participate in the EBHRA.

	Traditional HRA	QSEHRA	ICHRA	EBHRA
Can employees opt out?	Yes, at least once annually.	Yes, an employee without MEC may choose to opt out to avoid taxable income.	Yes, at least once annually prior to the beginning of the plan year.	Yes
Do employees have to provide proof of coverage?	No	Yes, employees must provide proof of enrollment in MEC.	Yes, employees must provide proof of individual health insurance coverage.	No
What kind of expenses can be reimbursed?	Based on plan design; can include medical expenses, such as deductibles, coinsurance, and copays associated with the group plan.	Based on plan design; can include individual health insurance premiums, COBRA premiums, copayments, deductibles, prescriptions, and/or other eligible healthcare costs under I.R.C. § 213(d).	Based on plan design; can include individual health insurance premiums purchased on the Marketplace, COBRA premiums, copayments, deductibles, prescriptions, and/or other eligible healthcare costs under I.R.C. § 213(d).	Based on plan design; can include limited excepted benefits like dental and vision care, copays, deductibles, and premiums for COBRA or short-term, limited-duration insurance.
Do employees have to substantiate expenses?	Employees must provide substantiation prior to employer/ plan reimbursement.	Employees must provide substantiation prior to employer/ plan reimbursement.	Employees must provide substantiation prior to employer/ plan reimbursement.	Employees must provide substantiation prior to employer/ plan reimbursement.
When can funds be used after the account is created?	Based on plan design; waiting period cannot exceed 90 days.	Based on plan design.	Based on plan design; generally, as soon as they enroll in eligible health coverage.	Based on plan design; waiting period cannot exceed 90 days.
Can unused funds be carried over to the next plan year?	Based on plan design; employers can allow or disallow funds to be carried over from one plan year to another.	Based on plan design; employers can allow or disallow funds to be carried over from one plan year to another.	Based on plan design; employers can allow or disallow funds to be carried over from one plan year to another.	Based on plan design; employers can allow or disallow funds to be carried over from one plan year to another.
What nondiscrimination rules is it subject to?	Subject to I.R.C. § 105(h) nondiscrimination rules.	Not subject to § 105(h) rules, but must offer benefits on the same terms to all eligible employees.	Generally not subject to § 105(h) nondiscrimination rules. However, if the ICHRA reimburses medical expenses beyond individual health insurance premiums, § 105(h) may apply. In those cases, compliance with the ICHRA class and uniformity requirements is generally sufficient to satisfy nondiscrimination requirements. In limited instances, an ICHRA may also be subject to § 125 nondiscrimination rules. Employers cannot vary ICHRA benefits based on health status, medical condition, claims history, genetic information, or similar factors.	Subject to § 105(h) nondiscrimination rules.

	Traditional HRA	QSEHRA	ICHRA	EBHRA
Is it subject to ERISA?	Yes; HRAs are "group health plans" under the Internal Revenue Code, ERISA, and the PHSA, and are therefore subject to rules applicable to group health plans. This includes the annual Form 5500 reporting requirement (unless the small plan exception applies), the SPD disclosure requirement, the plan document requirement, ERISA claims and appeals procedures, COBRA continuation coverage, and application of ERISA's fiduciary requirements.	Yes; QSEHRAs are subject to ERISA requirements for "welfare plans," which includes the plan document requirement, the SPD requirement, and the Medicare Secondary Payer/ Medicare Part D reporting and disclosure requirements.	Yes; ICHRAs are "group health plans" under the Internal Revenue Code, ERISA, and the PHSA, and are therefore subject to rules applicable to group health plans. This includes the annual Form 5500 reporting requirement (unless the small plan exception applies), the SPD disclosure requirement, the plan document requirement, ERISA claims and appeals procedures, COBRA continuation coverage, and application of ERISA's fiduciary requirements.	Yes; EBHRAs are "group health plans" under the Internal Revenue Code, ERISA, and the PHSA, and are therefore subject to rules applicable to group health plans. This includes the annual Form 5500 reporting requirement (unless the small plan exception applies), the SPD disclosure requirement, the plan document requirement, ERISA claims and appeals procedures, COBRA continuation coverage, and application of ERISA's fiduciary requirements.
Is it subject to ACA reporting?	No, if integrated with a group health plan. The employer's primary group health plan is subject to ACA reporting if the employer is an ALE, requiring Forms 1094-C and 1095-C.	No	Yes; non-ALE employers must complete and file Forms 1094-B and 1095-B. ALEs also must complete and file Forms 1094-C and 1095-C.	No
Is it subject to the PCORI fee?	Yes	Yes	Yes	No
Is federal COBRA available?	Yes, unless the employer is otherwise exempted, e.g., less than 20 employees, or a church plan.	Exempt	Yes, unless the employer is otherwise exempted, e.g., less than 20 employees, or a church plan.	Yes, unless the employer is otherwise exempted, e.g., less than 20 employees, or a church plan.

Glossary

Note: While HRAs are primarily governed by federal regulations, state laws can influence their administration, particularly concerning the types of health insurance policies available, the tax treatment of reimbursements, and the definition of qualified medical expenses. Employers should consult with legal or tax professionals to ensure compliance with both federal and state regulations when implementing HRAs.

Beginning in plan year 2028, the 2027 Notice of Benefit and Payment Parameters changes the treatment of certain state-mandated benefits in individual market coverage. Some benefits may not receive all ACA protections tied to essential health benefits (EHBs).

Abbreviations

ACA: Affordable Care Act

ALE: applicable large employer

COBRA: Consolidated Omnibus Budget Reconciliation Act

ERISA: Employee Retirement Income Security Act

HDHP: high deductible health plan

HFSA: health flexible spending account

HSA: health savings account

MEC: minimum essential coverage

PHSA: Public Health Service Act

PCORI: Patient-Centered Outcomes Research Institute

SPD: Summary Plan Description