JS DOWNEY
INSURANCE SERVICE

Understanding HRA Plans

A Health Reimbursement Account (**HRA**) allows an employer to set aside funds to pay for medical expenses on a tax-free basis for participating employees. The Employer opens and owns this type of account.

An HRA is an employer-funded plan. The contribution limit is determined by the employer's plan design. It's possible for the unused funds to carry over to the next year if written in the employer's plan design.

Funds from this account reimburse employees for out-of-pocket qualified medical expenses.

This has no tax advantage, can't earn interest, won't reduce health insurance premiums, and can't be used for retirement income. However, it can reduce the out-of-pocket health care expenses of the account holder.

H.R.A. Summary: Health Reimbursement Accounts (HRAs) are employer-funded group health plans from which employees are reimbursed tax-free for qualified medical expenses up to a fixed dollar amount per year. Unused amounts may be rolled over to be used in subsequent years. The employer funds and owns the account. Health Reimbursement Accounts are sometimes called Health Reimbursement Arrangements.

Money in an HRA can only be used to pay for eligible medical expenses incurred by employees and their dependents enrolled in an HRA. An employer may limit what expenses are eligible under an HRA plan.