



Specialty HRA's

Employer Specialty HRAs (Health Reimbursement Arrangements) are a type of employee benefit program offered by employers to help their employees cover certain healthcare expenses. HRAs are designed to reimburse employees for eligible medical expenses not covered by their health insurance plans.

While regular HRAs typically cover a broad range of medical expenses, Employer Specialty HRAs are specifically tailored to cover expenses related to certain medical conditions or treatments. These HRAs are often implemented to provide additional support for employees who have specific healthcare needs. The specific conditions or treatments covered by an Employer Specialty HRA can vary depending on the employer's policies and the needs of their workforce. Some examples of Employer Specialty HRAs may include:

- **Maternity HRA:** This HRA is designed to cover expenses related to pregnancy, childbirth, and postnatal care, including prenatal visits, delivery costs, and certain newborn care expenses.
- **Fertility Services:** This HRA is designed to cover expenses related to fertility services and treatments.
- **Mental Health HRA:** This HRA focuses on reimbursing expenses related to mental health services, such as therapy sessions, psychiatric consultations, or prescription medications for mental health conditions.
- **Orthopedic HRA:** This HRA is tailored to cover expenses associated with orthopedic treatments, including surgeries, physical therapy sessions, and durable medical equipment like braces or crutches.
- **Cancer Treatment HRA:** This HRA is aimed at assisting employees who are undergoing cancer treatment. It may cover expenses such as chemotherapy, radiation therapy, medications, and related medical appointments.
- **Chronic Condition HRA:** This HRA is designed to support employees with chronic conditions like diabetes, asthma, or hypertension. It may cover expenses for medications, specialist visits, monitoring devices, or necessary tests.

Employers typically establish the specific coverage limits, reimbursement guidelines, and eligible expenses for each Employer Specialty HRA. These arrangements allow employers to provide targeted financial assistance for employees' specific healthcare needs, complementing their existing health insurance plans. It's important to consult your employer or benefits administrator to understand the details and availability of specific HRAs offered by your organization.

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Steps to Creating a Compliant Specialty HRA

- **Create Plan Documents:** You'll need to formally establish your plan with the creation of legal plan documents. These will define things like eligibility, allowance, and claims procedures. You'll also need to create a Summary Plan Description, that gives employees an easy way to understand plan structure, rules and procedures.
- **Follow Privacy Rules:** HIPAA privacy rules apply to HRA's. If you'll be handling reimbursements, you'll need to make sure you have procedures in place to safeguard employees' protected health information.
- **Keep Records:** To avoid problems from an IRS audit, you'll want to make sure you have proper documentation for all employee claims for reimbursement. These should be saved for seven years.
- **Beware the ACA:** Since the ICHRA can satisfy employer mandate requirements under the ACA, if you choose to offer this type of HRA, you'll need to make sure you're meeting the minimum value and affordability requirements.
- **Perform Annual Testing:** HRA's are subject to non-discrimination testing so you'll need to make sure you undergo testing each year to ensure your plan doesn't favor highly compensated employees in terms of eligibility to participate or benefits provided.

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Risks and Benefits of Specialty HRA's

Specialty HRAs are employer-funded accounts that help employees pay for qualified medical expenses. While HRAs can provide certain benefits, they also carry some risks. Let's explore the risks and benefits of HRAs:

Benefits of Health Reimbursement Accounts (HRAs):

- **Employer Contributions:** HRAs are funded by the employer, which means the employees receive additional funds to cover their medical expenses. This can help alleviate the financial burden of healthcare costs.
- **Tax Advantages:** Employer contributions to HRAs are typically tax-deductible for the employer, and employees generally receive the funds on a tax-free basis. This can provide tax advantages for both parties.
- **Flexibility:** HRAs can offer flexibility in terms of eligible expenses. Employers may define specific medical expenses that are covered, such as deductibles, copayments, or certain types of treatments, allowing employees to use the funds as needed.
- **Portability:** In some cases, HRAs can be portable. If an employee leaves their current job, they may be able to take their HRA funds with them to use for qualified medical expenses.
- **Potential Cost Savings:** HRAs can be designed to promote cost-conscious healthcare decisions. By providing employees with funds for medical expenses, they may be more inclined to consider the cost of treatments and services, potentially leading to more cost-effective choices.

Risks of Health Reimbursement Accounts (HRAs):

- **Dependence on Employer:** HRAs are tied to employment. If an employee changes jobs or loses their job, they may lose access to the HRA funds, depending on the specific terms of the plan.
- **Limited coverage:** HRAs may have restrictions on the types of expenses that are eligible for reimbursement. Certain medical services or treatments may not be covered, potentially leaving employees responsible for those costs.
- **Potential Administrative Complexity:** Managing HRAs can involve administrative tasks, including tracking expenses, submitting reimbursement requests, and ensuring compliance with plan rules. This administrative burden can be challenging for both employers and employees.
- **Unequal Distribution:** HRAs may provide different funding amounts for different employees or employee groups, potentially resulting in unequal access to healthcare funds among employees.
- **Potential Loss of Unused Funds:** Some HRAs may have "use-it-or-lose-it" rules, meaning that any unused funds at the end of the plan year may be forfeited. Employees need to be aware of the plan's guidelines to avoid losing their allocated funds.

It's important to note that the specific features and risks of HRAs can vary depending on the employer's plan design and the regulations governing HRAs in a particular jurisdiction. Employees should carefully review the terms and conditions of their HRA plans and consult with their employer or benefits administrator for more information.

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