hra council

HRA Council
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The Honorable Jim Banks, Chairman of the House Republican Study Committee
The Honorable Chip Roy, Health Care Task Force Chair
United States House of Representatives
Washington, D.C. 20515

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As a result of a 2019 rule change, health reimbursement arrangements (HRAs) can now be used to purchase individual market plans. Employer contributions to worker HRAs are tax-preferred, so this rule essentially equalizes the tax treatment between traditional employer group plans and this new defined contribution mechanism. Most employers that offer health insurance only provide workers with a single option, so the HRA rule has the potential to significantly increase worker choice and control over their health insurance. According to 2019 estimates from the Department of the Treasury, by the middle of this decade, 800,000 employers will offer individual coverage HRAs, and more than 11 million people will receive individual market coverage using this type of HRA.

While the HRA rule is important for employers and employees, it also provides bipartisan healthcare solutions. For Democrats, the HRA rule can be viewed as working within the Affordable Care Act's basic framework, where tax-free employer contributions are leveraged by employees to increase the number of insureds and boost individual market enrollment. For Republicans, a long-standing policy aim has been moving from defined benefit plans to defined contribution arrangements where workers have greater control over the financing. Both parties would like health insurance to be more portable and less costly, to reduce job lock and give families greater flexibility, as well as reduce the number of people without health insurance.

Individual coverage HRAs will help employers attract and retain employees, gain greater predictability of their health costs, and reduce administrative expenses, allowing them to better concentrate on their core business purpose. The rule should particularly help reverse the decline in small employers offering coverage to their workers. Moreover, the rule contains significant flexibilities for larger employers to offer coverage to part-time workers or hourly workers.

We are writing this letter on behalf of the HRA Council—a non-profit, non-partisan advocacy group comprised of HRA administrators and practitioners working to create a vibrant HRA market by easing employers' ability to offer HRAs and employees' ability to use an HRA to enroll in coverage. Our mission is to promote education and awareness around HRAs and build upon them to improve the stability and affordability of individual market health coverage. Collectively, organizations comprising the HRA Council are working with thousands of employers and hundreds of thousands of employees and their dependents to help them with their respective offer and receipt of health insurance using HRAs.

We appreciate that the House Republican Study Committee (RSC) is soliciting health reform ideas, and we appreciate that many members of the RSC have embraced the 2019 HRA rule. For starters, we believe that Congress should codify the 2019 HRA rule so employers and employees have greater certainty that this reform is permanent. We also believe that there are several ways that Congress can build on the HRA rule to maximize employers' and employees' opportunities to benefit from the rule. This includes:

- Allowing employer contributions to merge with government contributions for lower-income workers so they can better afford coverage. Right now, employees forego a premium tax credit to purchase an individual market plan if they receive an offer of an affordable individual coverage HRA from their employer.

- Replace the 90-day period where an employer must provide an employee with a notice of adopting an individual coverage HRA with a 45-day notice period that better aligns to the industry standards around employer offering of health insurance to their employees.

- Permitting greater regulatory flexibility to the states so that states can design public policies better tailored to their unique markets. For example, in some states, this may include widening the three-to-one age-rating restriction in the Affordable Care Act.

- Funding state risk mitigation programs so that the cost of people with significant medical needs is financed by general tax revenue and not by individual market enrollees.

- Expanding employers' ability to use safe harbors from the employer mandate, including allowing greater flexibility for employers with workers who work from home or telework and allowing employers to use the highest-cost bronze plan as an alternative for measuring affordability of the HRA rather than the lowest-cost silver plan.

We thank you for your consideration of these ideas, and we are available at your and your staffs' convenience, to provide additional information and answer any questions that you may have.

Sincerely,

/s/

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