

Can a Medicare eligible employee participate in an HRA? – YES!

Medicare eligible employees can participate in an Individual Coverage Health Reimbursement Arrangement (ICHRA) or Qualified Small Employer Health Reimbursement Arrangement (QSEHRA).

What does a Medicare eligible employee need to participate in an HRA?

For ICHRA an employee must have Part A *and* Part B (or Part C) to qualify for participation in an HRA. Part B by itself does not qualify as Minimum Essential Coverage.

For QSEHRA an employee must have Minimum Essential Coverage (MEC). Part A or Part C will qualify as MEC.

Can an employer reimburse premiums and expenses for Medicare eligible employees?

An ICHRA may be used to reimburse premiums for Medicare and Medicare supplemental health insurance (Medigap) as well as eligible medical expenses. Parts A, B, C, D and Medigap are all eligible.

QSEHRA can be used to reimburse premiums for Medicare and Medicare supplemental health insurance (Medigap) as well as eligible expenses.

Medicare considerations:

When transitioning from traditional group plan to an ICHRA, employees will need to ensure they have both Medicare Part A and Part B. Employees that are Medicare eligible will likely have Part A. Losing their group plan will qualify them to register for Part B as a Special Enrollment Period (SEP).

How do ICHRAs work with COBRA?

COBRA, the Consolidated Omnibus Budget Reconciliation Act, applies to all employers with 20 or more employees that offer a group health plan. The Individual Coverage HRA is considered a group health plan and, as such, is subject to COBRA requirements. A quick rule: If an employer would be subject to COBRA with a traditional group health plan, they will be subject to COBRA requirements with an ICHRA offering.

With an ICHRA, COBRA offers members continued access to the employer-sponsored Individual Coverage HRA, *not* their individual and family health insurance policy.

Employees offered an ICHRA do not have to elect COBRA to keep their individual health plan as Individual and Family Plans (IFPs) are fully portable. Without paying a COBRA administration fee or electing COBRA, members can continue IFP coverage upon losing benefit eligible status with their organization.

COBRA may not be advantageous to employees given the element of plan portability that already exists. The advantage to ICHRA COBRA exists when an employee accrues a sizable balance of unspent HRA funds to which they would only have continued access through COBRA.

Members electing not to take ICHRA COBRA should work with their HRA administrator to understand their claims runout period and when they will lose access to HRA funds.

