



TaxNewsFlash

United States



No. 2019-303
June 13, 2019

Final regulations: Health reimbursement arrangements, account-based group health plans

The U.S. Treasury Department and IRS this afternoon jointly released along with the Department of Health and Human Services and the Department of Labor final regulations (T.D. 9867) regarding health reimbursement arrangements (HRAs) and other account-based group health plans.

The [final regulations](#) [PDF 844 KB] (140 pages):

- Allow integrating HRAs and other account-based group health plans with individual health insurance coverage or Medicare, if certain conditions are satisfied (an “individual coverage HRA”)
- Set forth conditions under which certain HRAs and other account-based group health plans will be recognized as limited excepted benefits

The final regulations are scheduled to be published in the Federal Register on June 20, 2019.

Treasury and the IRS specifically finalize rules regarding premium tax credit (PTC) eligibility for individuals offered an individual coverage HRA.

A related [Treasury Department release](#) explains:

- The final regulations are intended to expand the use of HRAs.
- Beginning in January 2020, employers will be able to use what are referred to as “individual coverage HRAs” to provide their workers with tax-preferred funds to pay for the cost of health insurance coverage that workers purchase in the individual market, subject to certain conditions.
- The HRA rule creates an “excepted benefit HRA” permitting employers that offer traditional group health plans to provide an excepted benefit HRA of up to \$1,800 per year (indexed to inflation after 2020), even if the employee does not enroll in the traditional group health plan, and to reimburse an employee for certain qualified medical expenses, including premiums for vision, dental, and short-term, limited-duration insurance.

Treasury and the IRS also today provide a list of [“frequently asked questions” \(FAQs\)](#) [PDF 254 KB] under the topic: “New health coverage options for employers and employees; individual coverage and excepted benefit health reimbursement arrangements” and that state, in part:

Health reimbursement arrangements (HRAs) are a type of account-based health plan that employers can use to reimburse employees for their medical care expenses.

New rules ... permit employers to offer a new “Individual Coverage HRA” as an alternative to traditional group health plan coverage, subject to certain conditions. Among other medical care expenses, Individual Coverage HRAs can be used to reimburse premiums for individual health insurance chosen by the employee, promoting employee and employer flexibility, while also maintaining the same tax-favored status for employer contributions towards a traditional group health plan.

The new rules also increase flexibility in employer-sponsored insurance by creating another, limited kind of HRA that can be offered in addition to a traditional group health plan. These “Excepted Benefit HRAs” permit employers to finance additional medical care (for example to help cover the cost of copays, deductibles, or other expenses not covered by the primary plan) even if the employee declines enrollment in the traditional group health plan.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)