

Part II: Health Reimbursement Arrangements (HRAs)

1. What makes an employee eligible to be reimbursed from an employer's HRA?

An employee must be enrolled in their employer's group health plan to be eligible for HRA reimbursements.

Note: Each HRA is governed by an employer's Section 125 Plan document. The terms and conditions of statewide negotiations as they relate to HRAs must be incorporated into each employer's HRA plan document. Employees should check with their human resources personnel, their local union leaders (if their work position is covered by a collective bargaining agreement), or their school district's Third Party Administrator if they have questions regarding the use of HRA funds.

2. What qualifying medical expenses can be reimbursed with HRA funds under the terms of statewide negotiations?

Under the terms and conditions of statewide negotiations, in 2023, HRA reimbursable expenses are those related to health care services, medical prescriptions, and products provided by your VEHI benefit plan.

3. Whose qualifying medical expenses can be covered by HRA funds?

HRA funds can be used to reimburse qualified medical expenses for an employee and family members who are enrolled as a spouse or dependent in the employee's health plan as outlined in the HRA Plan document. Dependents include adult children up to age 26.

4. Can an employee be reimbursed from an HRA for an adult child's (up to age 26) qualified medical expenses even if the adult child is NOT a tax dependent?

Yes.

5. Are employees enrolled in Medicare and Social Security eligible to receive reimbursements from an HRA.

Yes.

Important: Medicare is generally the **secondary payer** for employees who have Medicare coverage but are also enrolled in an employer's health plan. This means Medicare covers allowable charges incurred that the **employer's** primary insurance did not pay and **after** the expenditure of HRA funds. An employee may be asked to provide documentation that HRA funds have been exhausted in order to receive Medicare benefits.

Information on Medicare enrollment and coverage is found in the official government handbook "Medicare & You," which you can access at: [Medicare and You Handbook 2023](#).

6. Are employees enrolled in TRICARE eligible to receive reimbursements from an HRA?

Yes.

7. Are employees eligible to receive reimbursements from an HRA if they are covered by a medical FSA (theirs or their spouse's)?

Yes.

8. Are employees eligible to receive reimbursements from an HRA if they have secondary coverage under a spouse's health plan?

Yes.

9. Are the domestic partners of employees eligible to receive reimbursements from an HRA?

Yes. HRA funds can be used to reimburse the medical expenses of domestic partners, provided domestic partners are enrolled in the employee's health benefit plan, and meet the eligibility criteria. See more information about domestic partners and HRA reimbursements below.

For more information on HRAs and domestic partnership, click on:

<https://www.irs.gov/uac/answers-to-frequently-asked-questions-for-registered-domestic-partners-and-individuals-in-civil-unions>, or consult with your school district's Third-Party Administrator.

10. Are there tax consequences if an employee with an HRA dies and not all HRA funds have been used prior to death, or the employee has a spouse who has not been declared a designated beneficiary?

No. This is because an HRA is an employer account; money that is not spent is retained by the employer. It cannot go to an employee's designated beneficiary.

Domestic Partnerships & Eligibility for HRA Reimbursements

1. Can an employee use HRA funds to pay for the qualified medical expenses of domestic partners?

Yes, HRA funds can be used to reimburse the medical expenses of domestic partners, provided domestic partners are enrolled in the employee's health benefit plan, and meet the eligibility criteria.

For more information on HRAs and domestic partnership, click on:

<https://www.irs.gov/uac/answers-to-frequently-asked-questions-for-registered-domestic->

[partners-and-individuals-in-civil-unions](#), or consult with your school district's Third-Party Administrator.

2. Are HRA reimbursements for a domestic partner's qualified medical expenses tax free?

HRA funds may only be used on a tax-free basis to pay for the qualified medical expenses of tax dependents. A domestic partner may meet the definition of a tax dependent if they are a "qualifying relative."

To be a "qualifying relative," certain IRS tests must be satisfied. Details on these tests can be found at: <https://www.irs.gov/publications/p17/ch03.html>. If the domestic partner is not a "qualifying relative," the domestic partner may still enroll in the HRA, and access the HRA funds, but the value of the HRA would be taxable and need to be imputed as income to the employee.

3. How does an employee prove that a domestic partner is a tax dependent for purposes of receiving tax free HRA benefits?

The employee would attest to the domestic partner's tax dependent status by completing and submitting to their school district a [Statement of Domestic Partnership form](#).

COBRA, Last-month Rule & Testing Period

1. Is a school district required under law to continue making HRA reimbursements to an employee for qualified medical expenses during any period when the employee is eligible for and exercising COBRA rights?

Yes. There may be an additional premium cost for employees who elect to continue receiving HRA reimbursements under COBRA. The actual cost is based upon the HRA plan design and will vary by employer.

2. Are HRAs Subject to Last-month and Testing Period rules?

No. Health Reimbursement Arrangements, as noted above, are employer accounts. They are **not** subject to a last-month rule or testing period, as employees are prohibited from making contributions to an HRA.