



2016 Payroll Fact Sheet

Healthcare Reimbursement Plan (HRP) - What is it?

A Healthcare Reimbursement Plan (HRP) is a type of Section 105 self-insured medical reimbursement plan designed for premium reimbursement. Employers often use an HRP as the foundation of "pure" defined contribution health benefits. An HRP is similar to a business expense account for personal health insurance.

Introduction to Healthcare Reimbursement Plans (HRPs)

A Healthcare Reimbursement Plan (HRP) is an employer-funded, tax advantaged employer health benefit plan that can reimburse employees for individual health insurance premiums.

An HRP is not considered health insurance. Rather, it is a way to provide allowances for individual health insurance. Using the HRP, the employer makes contributions to an employee's allowance. Then, the HRP provides reimbursement for eligible healthcare expenses.

How Healthcare Reimbursement Plans (HRPs) are Structured

A Healthcare Reimbursement Plan (HRP) is designed for premium reimbursement. Because of the Affordable Care Act's new "market reforms", an HRP is structured to reimburse employees for health insurance premiums up to a specified monthly healthcare allowance, and unlimited preventive care with no cost sharing. To help limit the preventive care liability, an employer could require employees to show proof of having non-grandfathered minimum essential coverage to be eligible for the HRP. That way, the employee receives 100% preventive care services via their own health insurance plan.

Healthcare Reimbursement Plans (HRPs) are Notional

A Healthcare Reimbursement Plan (HRP) is simply an agreement between the employer and employees. In other words, an HRP is a notional arrangement where no funds are expensed until reimbursements are paid. Through an HRP, employers reimburse employees directly only after the employees incur an approved healthcare expenses.

Healthcare Reimbursement Plans (HRPs) Have No Contribution Limits

Unlike a Health Savings Account (HSA) or a Flexible Spending Accounts (FSA), there is no limit to the amount of money an employer can contribute to an employee's HRP. There is also no minimum contribution amount.

Healthcare Reimbursement Plans (HRPs) are Not Health Reimbursement Arrangements (HRAs)

HRPs and Health Reimbursement Arrangements (HRAs) are both types of Section 105 plans, but a key distinction between an HRP and an HRA is that an HRP does not impose a plan-wide maximum annual benefit and does not allow annual roll-over. For some employers, a stand-alone HRA is no longer a compliant vehicle for premium reimbursement because of the new Affordable Care Act "market reforms".

Healthcare Reimbursement Plans (HRPs) Administration Reporting Features

Defined Contribution Software Administration reporting features make real-time monitoring of Healthcare Reimbursement Plan (HRP) liabilities, reimbursements and utilization easy. Employers can change plan benefits at any time or cancel the entire plan at any time