



## The Daily Dish

# The Health Reimbursement Arrangement (HRA) Rule

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### **Eakinomics: The Health Reimbursement Arrangement (HRA) Rule**

This past week the Trump Administration [finalized](#) its Health Reimbursement Arrangement (HRA) rule. HRAs are funded by employers with pre-tax dollars (i.e., dollars that the individual controls but pays no tax on) and the new rule expands the uses of those dollars. Instead of covering only medical expenses, HRA funds can now be used to purchase individual insurance premiums. Also, employers can offer those who decline their employer coverage a special HRA of up to \$1,800 a year to reimburse workers for [short-term health plans](#) recently approved by the administration.

On Friday, the White House staged a Rose Garden ceremony to celebrate finalizing its HRA rule, which seems like a bit of overkill for a rule that affects a relatively small corner of the commercial insurance markets. After all, the rule is arcane and complicated (I honestly don't understand it all) — hardly some sweeping legislative accomplishment understood by all. It will largely affect only small employers and individuals, with little impact on the vast majority of those having employer-sponsored insurance. The administration estimates that it would expand by only 800,000 the number of Americans with insurance. Finally — let's face it — it is a rule that is at risk of being undone by a future administration.

In other ways, the HRA rule is a big deal. As a matter of fairness, it levels the tax playing field between the insurance policies purchased via HRAs and those who get employer-sponsored insurance. Both now use pre-tax dollars. It respects individual choice; workers can choose plans in the individual market that best meet their needs. (Some on the left view this as a flaw because HRAs can be used for plans that are not ACA compliant.) Similarly, workers can effectively choose how much of their compensation they want in health insurance, thereby delivering to them the compensation package that they prefer. Finally, it caps the liability for the employer, thus turning health insurance into a defined contribution

benefit. These advantages explain why the administration expects roughly 11 million individuals to participate in the HRAs permitted by the rule.

HRAs might not seem like a big deal, but the rule has the potential to dramatically re-shape the individual market.