Spousal Incentive Health Reimbursement Arrangement: What Is It and How Will It Save Money?

by Patrick O'Connor, Vice President, Senior Benefits Consultant

Employers continue to seek innovative ways to control plan costs while keeping employees satisfied with their health benefits. A spousal incentive health reimbursement arrangement (SIHRA) can help organizations do just that.

SIHRAs are not a common benefit strategy and they can be a little confusing to understand. A SIHRA technically combines two separate benefit strategies: a Health Reimbursement Arrangement (HRA) with a spousal incentive/surcharge. As with a typical HRA, the account is funded solely by the plan sponsor. HRAs allow employers to reimburse their employees and eligible dependents for qualified health expenses. The difference is that a SIHRA is a health reimbursement arrangement for employees' working spouses who opt out of health insurance coverage and enroll in coverage through their own employers. The account HRA would pay for qualified healthcare claims and expenses incurred by those spouses.

Incentives and surcharges are not a new strategy for plan sponsors. Employers need to be mindful of plan spend when balancing the overall budget. Healthcare is often the first or second budget line in an organization's financial spreadsheet and dependents can drive total health plan costs up as much as 60%. A SIHRA aims to reduce these plan costs by encouraging working spouses to elect coverage on their own employer's sponsored health plan. A SIHRA's objective is to offer an employee's spouse the opportunity for full coverage on eligible health expenses with limited out of pocket exposure. This does two things; it still maintains the benefit to the employee and provides a financial incentive for moving their spouse to their respective employer plan. However it also restricts what the traditional incentive is used for: eligible medical expenses. Moving a spouse off of the employer's plan can lead to lower claim costs in the future.

Traditionally associated with large self-funded employers, any organization can implement a SIHRA with some careful planning and insight into the needs of their staff. This does not just mean figuring out how to fund a SIHRA and for how much. For example, while this account type is permitted under ACA how an employer implements it will matter. Here are a couple things to consider when launching a SIHRA for your employee population:

1. **Integration:** The SIHRA should be incorporated and offered alongside traditional group health coverage with proper documentation of all eligibility provisions, qualified expenses and reimbursement timelines. The HRA can almost be capped at a specific dollar amount the limit employer financial exposure.
2. **Communication:** Messaging is key to getting employee buy-in on this plan. Ensure that employees are properly educated on the concepts and implications of electing a SIHRA. Such as the fact that they are not allowed to contribute to a Health Savings Account (HSA) if they elect this benefit.
3. **Coordination**: Open enrollment does not occur at the same time for all organizations. If an employee's spouse has their company open enrollment at a different time of year, then the employer will need to coordinate with the spouse to ensure they are enrolled in group health plan coverage that meets ACA guidelines at the time their own employee waives spousal coverage.

It can sound like a lot of work but you do not need to do everything at once. Start small. Examine your employee population data to see how spouses are affecting the cost of your health plan. Identify whether your current strategy is defraying the expenses of spousal dependents. If it isn't, talk to your broker about how a SIHRA can alleviate the burden. ■

Follow the conversation with us on **LinkedIn.**

For more information, please call: **877.426.7779**