

Qualified Small Employer Health Reimbursement Arrangements Stand Alone HRAs Return!

In 2013 a popular alternative to a group health plan for small employers, a stand-alone HRA, was effectively outlawed. On December 13, 2016 the 21st Century Cures Act was signed into law. Part of the act will allow small businesses to use Health Reimbursement Arrangements (HRAs) to provide funding to employees to reimburse eligible health care expenses including premium for purchase of individual plans on the open market. This is **exciting news for small employers** who prior to the Affordable Care Act (ACA) had assisted employees by contributing funds to an HRA that could be used for out of pocket medical expenses and individual health plan premiums. The official Small Business Health Care Relief Act creates a new type of HRA – **the Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)**.



Facts to be considered in offering a QSEHRA:

- Effective for plans beginning January 1, 2017 and later.
- Open to employers with fewer than 50 full time employees that do not offer group health insurance.
- A QSEHRA can reimburse eligible healthcare expenses including individual premiums.
- Reimbursements are tax-free to the employee provided they have minimum essential coverage in the month of the expense.
- Employers can reimburse for individual premiums including for plans purchased on the public health care exchanges under the Affordable Care Act (ACA). ACA exchange subsidies will be reduced by the amount of the HRA benefit
- The employer must cover 100% of the cost of the benefit provided, and cannot allow employees to make pre-tax withholdings or use employee contributions on a pre-tax or post-tax basis.
- Employers can contribute no more than \$4,950 per individual or \$10,000 per family.
- Small employers that choose to provide QSEHRAS must offer them to all full time employees except those who have not yet completed 90 days of service, are under 25 years of age, or who are covered by a collective bargaining agreement for accident and health benefits. Part time and seasonal workers may also be excluded.
- The same terms must be offered to each employee.

Call 3PA or your Health Care Benefits Agent today for more information on implementing an HRA program for your business.

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