Qualified Small Employer HRA Plan (QSEHRA)

On December 13, 2016, President Obama signed the 21st Century Cures Act ("Act"). This Act contains provisions for "Qualified Small Business Health Reimbursement Arrangements" ("HRA") which enables Small Employers (less than 50 employees) to offer "pre-tax dollars" for funding individual medical coverage plans and other qualified expenses. This HRA allows eligible small employers to offer an HRA funded solely by the employer, which reimburses employees for qualified medical expenses, including health insurance premiums ("medical expenses" means expenses for medical care, as defined in Code section 213(d), which includes premiums for other health coverage, such as individual health insurance policies).

The maximum reimbursement that can be provided under the plan amounts for **2023 are $5,850 for single coverage and $11,800 for family coverage** (if the HRA covers family members' premiums).

Requirements of offering a QSEHRA Premium Reimbursement Plan:

- Employer must have less than 50 full-time employees

- Employer must <u>not</u> offer a group health plan (including HRA or FSA) to any employees

- Employer must offer HRA with the same terms for all eligible employees (note: the Act allows benefits under the HRA to vary based on age and family size variations in the price of an insurance policy)

- Employers must report contributions to a reimbursement arrangement on the employees' W-2 each year

- Arrangement is funded solely by an eligible employer, and no salary reduction contributions may be made under the arrangement

- Employer must notify each participant of the amount of the benefit provided under the HRA each year at least **90 days before the beginning of each year**

- Group health plan includes a plan that provides only excepted benefits (e.g., a vision or dental health plan that qualifies as an excepted benefit) if that plan is offered by an employer to its employees

- If an employer endorses a particular policy, form, or issuer of individual health insurance, the coverage may constitute a group health plan

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- Providing employees with information about the Marketplace, or the premium tax credit is not an endorsement of a particular policy, form, or issuer of health insurance

- Employer can offer a group health plan to former employees (and still be considered an eligible employer)

- Employer will continue to be an eligible employer even if it contributes to an employee's HSA, including permitting an employee to make pre-tax contributions to the HSA, by salary reduction, through a cafeteria plan

- Employer fails to be an eligible employer as of January 1 of the year it becomes an ALE

  - If employer increases in size during the current year so that it employs an average of at least 50 FTEs on business days during the current year, then it is an ALE on January 1 of the next year and ceases to be an eligible employer on that date

- The QSEHRA may have a "run-out period" for medical expenses incurred during the months of the prior year during which the QSEHRA was provided

  - A run-out period is a period following the coverage period for submitting a claim for reimbursement of medical expenses incurred during coverage period

An employee may not be eligible for a pre-tax credit at the Marketplace for any month where QSEHRA benefits are provided. Pre-tax credits are determined by the Marketplace and the employee should disclose to the Marketplace the months and amounts where benefits are received under the QSEHRA.

This arrangement is also not considered a "group health plan" for most purposes under the IRS Tax Code, ERISA, and the Public Health Service Act. In addition, they are not subject to COBRA regulations.

Medcom Benefit Solutions is setup to administer these types of HRA plan designs. We can reimburse employees for premiums automatically monthly upon receipt of an affidavit and statement showing insurance coverage has been purchased and the amount of the policy. Please contact us today to get started with a seamless and easy implementation process!