



## **Stand-Alone Small Employer Premium Reimbursement HRA's (QSEHRA) March 2017**

The new QSEHRA, or Qualified Small Employer Health Reimbursement Arrangement, brings the stand-alone HRA back for small employers. It is an excellent tool that allows employers with fewer than 50 full-time employees to offer an affordable benefits package.

Stand-alone HRA's were a common feature in small business employee benefit packages only a few years ago. It allowed the small employer to provide financial assistance to help cover insurance premiums, deductibles, co-pays, and other qualifying health, dental, and vision expenses an employee encountered during a Plan year.

The stand-alone HRA option was not the only kind of HRA available to employers, but it filled a niche for smaller business owners. A 'deductible gap' HRA could still be set up to cover expenses like deductibles and co-pays in conjunction with a high-deductible health insurance plan provided by the company, but it was somewhat out of reach for small employers because of the requirement to purchase a group health plan.

The stand-alone HRA option was a much better fit and an extremely popular plan with these business owners for many years. The Affordable Care Act (ACA) came along, and in 2013 the stand-alone HRA was declared ineligible.

### **The new "QSEHRA (Qualified Small Employer HRA)**

In June 2016, Congress revived the stand-alone HRA by passing the Small Employer Healthcare Relief Act (H. R. 5447). The Senate added the provisions of the bill to the [21st Century Cures Act](#), which was passed in that chamber on December 7, 2016, and signed into law by the President on December 14, 2016.

To qualify, an employer must have fewer than 50 full-time employees on any day of the previous calendar year. This includes accounting for part-time and temporary or seasonal staff. Other provisions are as follows:

- Only an employer can contribute to the QSEHRA.
- The annual amount that can be contributed by an employer to the Plan in 2017 is up to \$4,950 per employee electing individual coverage and up to \$10,000 per employee electing family coverage.
- The stand-alone HRA must generally be offered to all employees on an equal basis.
- QSEHRA funds may be used by employees to pay qualifying medical expenses including health insurance premiums.

- The employer must verify that the employee has qualifying health insurance (requiring proof of coverage) before issuing any reimbursements from the QSEHRA.
- Written notice must be provided to qualifying employees 90 days prior to the start of each Plan year indicating the amount of the benefit available under the Plan, stating that the employee must inform the ACA Marketplace of the Plan amount when purchasing health insurance there, and advising that failure to maintain qualifying health insurance coverage throughout the Plan year will result in the standard ACA penalty plus cause all reimbursements from the Plan to be taxable income (for this reason, the benefit amount must be reported on employees' W-2's). The deadline for plans beginning January 1, 2017, is delayed to March 12, 2017, due to the lateness of the law being enacted in 2016.
- The stand-alone HRA is not eligible for COBRA continuation of benefits.

Plan documents for the QSEHRA required some legal work, which is now complete. If you would like additional information, please give us a call.

Thank you!

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