

# Qualified Small Employer HRA Basics



Benefits & Insurance Solutions, LLC

# QUALIFIED SMALL EMPLOYER HRA BASICS

The information contained in this brochure is derived from the [21<sup>st</sup> Century Cures Act](#), a law allowing eligible small employers to offer **qualified small employer health reimbursement arrangements (HRAs)**. For individualized guidance on funding a qualified small employer HRA, contact one of our knowledgeable small business benefits agents.

## What Is A Qualified Small Employer HRA?

A qualified small employer HRA allows an employer to reimburse employees for qualified medical expenses, **including individual health insurance premiums**. Under prior Affordable Care Act (ACA) rules, stand-alone HRAs (except for retiree-only HRAs and HRAs consisting solely of [excepted benefits](#)) and HRAs permitting employees to purchase coverage on an Individual Health Insurance Exchange are considered group health plans that do not comply with some regulations of the ACA, and may be subject to an excise tax of \$100 per employee per day. The **21<sup>st</sup> Century Cures Act, passed on December 16<sup>th</sup>, 2016, exempts qualified small employer HRAs from ACA market reforms by establishing that qualified small employer HRAs are no longer considered group health plans.**

## What is a qualified small employer?

A qualified small employer is:

- An employer with **fewer than 50 full-time equivalent employees** on average during the prior calendar year – as determined in accordance with the [employer shared responsibility provisions](#); **and**
- The employer does not offer a group health plan to any of its employees

## How Must A Qualified Small Employer HRA Be Structured?

To constitute a qualified small employer HRA, the arrangement generally must:

- Be funded solely by an eligible employer without salary reduction contributions;
- Provide reimbursement of qualified medical expenses incurred by the employee or a family member (which includes **individual health insurance premiums**), after an eligible employee provides proof of coverage;
- Limit annual payments and reimbursements to **\$4,950 per employee or \$10,000 per family** (which are prorated where coverage is for less than the entire year); **and**
- Be provided, per the same terms, to all eligible employees, so as not to discriminate against any employee.

# QUALIFIED SMALL EMPLOYER HRA BASICS

## What Other Requirements Apply?

An employer funding a qualified small employer HRA must provide a **written notice to each eligible employee** (see template on pg. 4) that includes the following information:

1. A statement regarding the maximum dollar amount of payments and reimbursements that may be made for the year with respect to the employee (the “**permitted benefit**”);
2. A statement that the employee **should provide information regarding his or her permitted benefit to any Health Insurance Marketplace** to which the employee applies for advance payment of the premium tax credit; **and**
3. A statement that, for any month in which the employee does not have minimum essential coverage, he/she may be subject to an [individual shared responsibility payment](#) **and reimbursements under the HRA may be includible in gross income.**

**Effective for years beginning after December 31, 2016**, the notice generally must be provided **no later than 90 days** before the beginning of the year in which the HRA is funded (or, if an employee is not eligible to participate in the arrangement as of the beginning of such year, the date on which the employee is first eligible). In addition, effective for years beginning after December 31, 2016, an employee’s total permitted benefit for the year **must be reported on his or her Form W-2.**

**Note:** While failure to provide the notice may generally result in a penalty of **\$50 per employee** (with the total penalty not to exceed \$2,500 in a calendar year), penalty relief is available with respect to years beginning after December 31, 2016, as long as the notice is provided **no later than 90 days after December 31, 2016.**

# QUALIFIED SMALL EMPLOYER HRA BASICS

## Qualified Small Employer HRA Notice Template

***Please note: This sample notice is for general reference purposes only. As changes in the law, rules, regulations, and interpretations may occur, this sample notice may not satisfy future requirements. Please contact one of our knowledgeable small business benefits agents to review any documentation you intend to distribute to employees.***

You are receiving this notice because you are eligible to participate in the **[Employer Name]** qualified small employer health reimbursement arrangement (HRA). Please review the following information regarding the qualified small employer HRA and contact the individual(s) listed below for additional details:

- The maximum dollar amount of **[payments/reimbursements]** that may be made per year through this arrangement is **\$4,950 [or less]** per employee or **\$10,000 [or less]** per family.
- You should provide information regarding the dollar amounts listed above to any Health Insurance Marketplace to which you apply for advance payment of the premium assistance tax credit.
- You may be subject to tax under 26 U.S.C. §5000A for any month in which you fail to maintain minimum essential coverage, and reimbursements under this qualified small employer HRA may be includible in your gross income.

To obtain additional information, please contact: **[Employer Contact]**.

# QUALIFIED SMALL EMPLOYER HRA BASICS

**Provided by:**



**Benefits & Insurance Solutions, LLC**

LYFE Benefits & Insurance Solutions LLC

104 W 4<sup>th</sup> Street, Suite 205

Royal Oak, MI 48067

Phone: 248-923-1200

Fax: 248-928-0321

[info@lyfeagency.com](mailto:info@lyfeagency.com)

[www.lyfeagency.com](http://www.lyfeagency.com)