



WHAT IS A QUALIFIED SMALL EMPLOYER HEALTH REIMBURSEMENT ARRANGEMENT (QSEHRA)?

A Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) is a type of health reimbursement arrangement that a qualified small employer can set up to reimburse employees for individual health insurance plans they purchase rather than buying a traditional group plan. The basics of a QSEHRA are:

1. Employers design their QSEHRA program, including defining which employees are eligible and establishing their reimbursement contributions.
2. Employees purchase the qualified individual plans they want from participating options.
3. Employees submit evidence of coverage and/or claims for reimbursement from the employer's HRA.
4. Employers reimburse employees for insurance premiums or qualified medical expenses.
5. Employer's reimbursement amount is tax-free.

Offering a QSEHRA can benefit both employers and employees. Employers benefit through tax deductions for healthcare and insurance payment contributions. In addition to this tax benefit, QSEHRAs can make healthcare costs more predictable and controllable for employers. And, employees benefit by receiving employer-sponsored healthcare premium contributions and having the choice out of many individual insurance plan options based on their needs.

QSEHRA BASICS

- ✓ Businesses up to 50 full-time employees can participate.
- ✓ Contribution maximums apply and can change annually.
- ✓ All full-time employees are automatically eligible and if determined by the employer, part-time employees may also be eligible.
- ✓ Employees can receive different HRA contribution amounts. The contribution amount can be adjusted based on employee family status, age, and family size.
- ✓ Employees participating in the QSEHRA are eligible for Advanced Premium Tax Credit (APTC).
- ✓ Employees can also use their HRA contribution amount towards their spouse's coverage.
- ✓ Employees must have individual health insurance to participate.

**Interested in setting up a QSEHRA for your organization?
Contact our sales team or your broker to get started with
a Third Party Administrator!**



QSEHRAs FAQ

Q: Health Reimbursement Arrangements (HRAs) aren't a brand-new concept. How is this different?

A: Though HRAs have been in existence for a long time, QSEHRAs were just established in 2017 to allow small employers to give their employees more choice and flexibility with their HRA. With QSEHRAs, employees can use their HRA towards qualified individual coverage health insurance premiums and/or qualified medical expenses.

Q: Simply, how does a QSEHRA really work?

A: Once the employer sets up their customized health benefit design for the QSEHRA, enrolling employees would go out and purchase their own qualified health plan. The employer then has a set allowance amount that will reimburse the employees either for health insurance premiums and/or other qualified medical expenses.

Q: What is better, a QSEHRA or a group health plan?

A: QSEHRAs can be very advantageous for employers, but it really depends on business priorities to determine the best fit for the company. Offering a QSEHRA gives the employer many benefits over a group health plan such as: cost control, plan customization and flexibility, network flexibility, plan portability, plan choice, and employee experience with individual plans.

For CGHC plans, we offer an Exclusive Provider Organization (EPO) network which is considered to be "narrow;" however, our EPO network features either the 1st or 2nd provider organization in the county in 21 of our 22 counties. Additionally, we have decreased our premiums for 3 consecutive years, valuing affordability and responsible premium pricing.

Q: What are the key benefits of a QSEHRA?

A: The key benefits of a QSEHRA are:

- Employers don't have responsibility for health risks
- Employees have more plan options to choose a more personalized plan
- Simpler and more flexible plan design options
- The HRA is a fixed cost, which helps with budget control
- Employees can take advantage of Advanced Premium Tax Credits (APTC) while also participating in the HRA

Q: What medical expenses are reimbursable through a QSEHRA?

A: Qualified medical expenses that are reimbursable through a QSEHRA are any medical costs towards preventing or treating physical or mental ailment, but not for maintaining general health.

Q: Can an employer offer a group health plan and a QSEHRA at the same time?

A: No, an employer cannot offer both a group health plan and a QSEHRA to separate groups of employees because employers are not able to split their employees into classes like they can with an ICHRA. All employees can only be offered one health insurance solution (either a QSEHRA or a group health plan, but not both together).

Q: Can part time employees qualify for a QSEHRA allowance? Does it have to be the same for all employees?

A: Yes, if an employer chooses to include part time employees, they can be eligible to receive the QSEHRA allowance based on the employer's benefit design. If the employer determines that part time employees qualify, the reimbursement must be the same for all employees.

Q: Are there specific plan requirements for employees in order to participate in the QSEHRA?

A: Yes. To participate in the QSEHRA, the employee must enroll in an ACA qualified individual health plan that has no annual or lifetime limits and that includes the 10 essential health benefits. This gives employees many options in the individual market; however, they could not use the QSEHRA for a short-term or Christian ministry plan.

Q: Can the employer pay the premium directly to CGHC?

A: Yes. In short, while Common Ground Healthcare Cooperative has an agreement with the individual subscriber (employee), CGHC can accept premium payments from employers on behalf of their employees. CGHC requires one payment per each employee. The remittance must include the policy holders name, and the policy holder's member number. Of note, any premium refunds will be made to the policy holder and not the employer.

Q: Are there any limitations for a non-profit that wants to offer a QSEHRA?

A: No, a non-profit would follow the same requirements as a for-profit group.

Q: How does COBRA work with a QSEHRA? Does the employee pay for the benefit after employment is terminated? Would the employer be required to continue paying for their coverage at no cost to the former employee?

A: Since the policy is purchased by the employee, it is therefore the employee's policy to keep even without the HRA contribution from the employer. The employer is not required to continue making reimbursements but the employee would have the option to make the HRA contribution to the employer so the employer can use that to make payments with no employer contribution.

Q: Who owns the HRA funds? Who owns the legal agreement?

A: The employer owns the funds since the employer makes the reimbursement to the employee once proof is provided. The Legal Agreement is an internal document that is also kept by the employer.

Q: Would a QSEHRA be available for only one employee?

A: There are no participation requirements for QSEHRAs. If employees decide not to use the benefit, there is no cost or concern for the plan. There may be administration costs to the employer if using a TPA to administer. The employer will also want to be sure they are meeting all QSEHRA requirements for eligibility.

Q: What is the general cost for an employer to administer a QSEHRA through a Third-Party Provider (TPA)?

A: The cost to work with a TPA varies depending on the TPA, group size and services received. The following are TPA landing pages to generate a cost estimate today:

- a. <https://www.peoplekeep.com/pricing>
- b. <https://www.takecommandhealth.com/reimbursement-platform>
- c. <https://www.dbsbenefits.com/services/health-reimbursement-arrangements/>
- d. <https://www.tasconline.com/products/tasc-hra/>

Q: Since employees can get subsidies with the QSEHRA, does the employer get to deduct HRA contributions for tax purposes. Can employees also deduct their health plan premiums?

A: Yes, the employer can claim a tax deduction for any reimbursements they make in the QSEHRA. As far as if the employees can claim a tax deduction, we would defer that question to a tax expert.

Q: Can you reimburse HSA deductibles in a QSEHRA?

A: No, the plan deductible cannot be reimbursed with an HSA plan.

Q: How often can the employer adjust the contribution amounts?

A: The employer can adjust the contribution amounts annually.

Q: Who might choose QSEHRA over an ICHRA?

A: QSEHRAs offer some advantages that ICHRAs do not that the group will want to take into consideration. Such as the potential of receiving Marketplace subsidies and option to cover a spouse's health plan expenses.

Q: Can you use the allowance amount to pay a Medicare Supplement plan premium or a Prescription Drug plan premium?

A: Yes, to participate the employee must be covered by either Medicare Part A and Part B together or Part C. The allowance amount may then be used to reimburse premiums for Medicare Supplemental health insurance, as well as other medical care expenses. (Premiums for Parts A, B, C, D, and Medigap policies are all eligible for reimbursement)

Q: Is the reimbursement amount counted as income and taxable?

A: The reimbursement is a pretax contribution from the employer, so it is not taxable income to the employee As long as the employee is enrolled in an ACA qualified individual health plan that has no annual or lifetime limits and that includes the 10 essential health benefits.

ICHRA vs. QSEHRA

ICHRA and QSEHRAs are two variations of health reimbursement arrangements (HRAs) that can serve businesses differently depending on the employer's priorities and employee composition. Use this comparison to generally understand those differences.

	ICHRA	QSEHRA
Business Size limits	No employee size limit. Any business can participate.	The business must have fewer than 50 full-time employees.
Can an employer offer both HRA and traditional health coverages?	Yes; however, the group plan and HRA cannot be offered to the same employee "class." One class can be offered an ICHRA program and another can be offered a traditional group plan.	No; a QSEHRA cannot be offered with a group plan.
Is there a maximum contribution?	There is no contribution maximum for ICHRAs.	Contribution maximums for QSEHRAs can change annually. In 2021, maximum contributions are: <ul style="list-style-type: none"> • Single: \$5,300 • Family: \$10,700
Who is eligible for the HRA?	All employees are eligible based on the employee class determined by the employer and plan design of the ICHRA. Employees must be offered the HRA equally within their class.	Full-time employees are automatically eligible for the HRA; employers may choose if part-time employees are eligible. The HRA must be on the same terms for all eligible employees.
Can employees get different contributions?	All employees are eligible. The HRA amount can be adjusted based on employee class, age, and family size.	Contributions can vary based on family status, age, and family size, but not based on employee class.
Do ACA Marketplace Advanced Premium Tax Credits (APTC) apply for eligible employees?	Employees participating in an ICHRA plan are not eligible for Advanced Premium Tax Credit (APTC).	Employees are eligible to receive the Advanced Premium Tax Credit (APTC) through the marketplace, but the tax credit is reduced by the amount of the HRA contribution.
Do employees need to elect insurance coverage to participate in the HRA?	Yes. Employees must have a qualified individual health plan to participate.	Yes. Employees must have a qualified individual health plan to participate.

Once employers decide which HRA can best serve their business, HRA plan administrators can help with creating employee classes, plan administration, and with legal and tax implications. Common Ground Healthcare Cooperative (CGHC) is an individual healthcare coverage carrier known for outstanding customer experience. We are here to best support employees with choosing the right plan and getting the most out of their benefits.

