

This article presents general guidelines for Ohio nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

Small Business HRAs: An Employee Health Care Solution

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In December 2016 President Obama signed the “Cures Act” to give small businesses and nonprofits a “new” option for providing health care to employees. Previously, the Affordable Care Act (“Obamacare”) penalized the use of traditional Health Reimbursement Accounts (HRAs) and Employee Payment Plans (EPPs), which had become useful vehicles for reimbursing employees for their out-of-pocket health care expenses in lieu of providing costly group health plans.

The Cures Act restored some of the utility of stand-alone HRAs by exempting small employers from some requirements of the ACA. The new “Small Business HRA” (formally called a Qualified Small Employer Health Reimbursement Arrangement, or QSEHRA) allows employers with less than 50 full-time equivalent employees to provide tax-free contributions to employees to reimburse them for qualified health care expenses. Qualified expenses include premiums for individual health insurance policies, co-pays, prescriptions, and much more. Reimbursement amounts are capped at \$4,950 per year for single coverage, or \$10,000 per year for family coverage, adjusted for inflation.

There are, of course, a number of conditions that must be met in order for small employers to provide a Small Business HRA. For example, the employer must provide certain notices to eligible employees; only employers that don’t offer a group health plan are eligible; employees must carry private health insurance that meet minimum requirements; employees could lose some or all of their current subsidy on ACA Exchange plans if they participate in a QSEHRA; contributions to the QSEHRA account must be funded 100% by the employer; and contributions to employees must generally be equal either in dollar amount or as a percentage of wages.

The Small Business HRA has some requirements that may not work in every situation. If you are a PBPO client and would like to discuss the use of a Small Business HRA for your organization, or if you have related questions, please contact us at info@pbpohio.org. If you are not a client but would like to apply, please contact us at info@pbpohio.org.