



Qualified Small Employer HRA —Frequently Asked Questions—

The 21st Century Cures Act (Cures Act), enacted in late 2016, applies to “qualified” small employers that do not offer group health coverage to their employees, by creating a way for them to provide healthcare relief to their employees at a tax savings.

The Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) allows Participant reimbursements for individual insurance premiums and 213(d) expenses.

Please refer to the following Frequently Asked Questions for QSEHRA plan specifics. For more comprehensive QSEHRA Guidance, please [click here](#).

Who can offer a QSEHRA?	<ul style="list-style-type: none"> • “Small” employers that are not Applicable Large Employers (ALEs) under the Affordable Care Act (ACA) and are not subject to ACA employer responsibility penalties. • “Small” employers (fewer than 50 full-time employees) that do not offer employees a group health insurance plan.
Who may not offer a QSEHRA?	<ul style="list-style-type: none"> • Employers with more than 50 full-time employees (under ACA counting rules). • Employers that offer a group health plan to any employee. • Employers who provide continued access to amounts accumulated in an HRA in prior years or carryover amounts in an FSA. • Controlled group of businesses as defined under section 414(b), (c), (m), or (o) if one or more offer its employees a group health plan.
Who can participate in a QSEHRA?	<ul style="list-style-type: none"> • Eligible employers must provide the QSEHRA on the same terms, uniform and consistent basis, to all eligible employees. Retirees, other former employees, or non-employee owners are not eligible employees. • Participant contribution amounts cannot be based on employee particulars (classifications, seniority, incentives, job performance, etc.). • If two or more eligible employees are covered under single family health insurance policy or separate health insurance policies (i.e. two eligible employees who are married to each other), they must each be provided a separate QSEHRA family permitted benefit.
What is reimbursable under a QSEHRA?	<ul style="list-style-type: none"> • The employee’s individual insurance premium, including family coverage. (Any 213(d) expense per the Internal Revenue Code).

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	<ul style="list-style-type: none"> • Before an expense can be reimbursed, the QSEHRA must obtain proof that the eligible employee and the individual who incurred the expense (if different) have MEC for the month in which the expense was incurred. After that initial proof, which must be repeated annually, an additional attestation from the employee is required with each request for reimbursement. • Employer cannot provide that one category of employees can be reimbursed for all medical expenses and another category of employees can be reimbursed for individual insurance premiums. This would not meet the same term requirement. All eligible employees must have same availability to reimbursement requirements.
<p>What is the maximum reimbursement allowed through a QSEHRA?</p>	<ul style="list-style-type: none"> • Limits are adjusted each year. • Employers may set permitted benefit by rounding amounts in increments of \$50 to the nearest whole dollar amount that does not exceed the applicable statutory dollar limit. For example, single permitted benefit may be rounded to \$5,000, but not \$5,100. <p>2018</p> <ul style="list-style-type: none"> • Single: \$5,050 annually; \$420 monthly if not covered for the full year • Family: \$10,250 annually; \$854 monthly if not covered for the full year <p>2017</p> <ul style="list-style-type: none"> • Single: \$4,950 annually; \$412 monthly if not covered for the full year • Family: \$10,000 annually; \$833 monthly if not covered for the full year
<p>Who funds the QSEHRA?</p>	<ul style="list-style-type: none"> • Solely employer funded.
<p>What are the employer reporting requirements for the QSEHRA?</p>	<ul style="list-style-type: none"> • Eligible employers must furnish initial written notice to eligible employees for 2017 or 2018 QSEHRA plan years the later of February 19, 2018, or 90 days before the first day of the plan year. • The eligible employer must report the amount of payments and reimbursements that the eligible employee is entitled to receive from the QSEHRA for the calendar year in box 12 of the Form W-2 using code FF, without regard to the amount of payments or reimbursements actually received. • Employers are advised to have a Plan Document and Summary Plan Document (SPD). • Employers maintain Employee Certification of Minimum Essential Coverage (MEC) for tax purposes; benefits are taxable income for

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	employees who do not maintain MEC through an individual plan or their spouse's coverage.
Will a QSEHRA impact the individual's eligibility for subsidy in the Marketplace?	<ul style="list-style-type: none"> • If an employee enrolls in a qualified health plan on the Marketplace, his or her premium tax credit/subsidy will be reduced by the benefit available under the Qualified HRA.
Are QSEHRAs subject to COBRA?	<ul style="list-style-type: none"> • No.
Are QSEHRAs subject to ERISA?	<ul style="list-style-type: none"> • The QSEHRA, although not a group health plan, is subject to ERISA disclosure requirements, such as Plan Document and Summary Plan Description, and 5500 reporting requirements (if applicable), similar to a 401(k) plan. TASC administrative processes meet these requirements by producing the plan documents and providing to Clients.
Are QSEHRAs subject to HIPAA?	<ul style="list-style-type: none"> • Until the IRS issues further guidance, TASC will treat all QSEHRAs per initial guidelines and protect any Personal Health Information (PHI) received.
Can an employer contribute to an employee's HSA, including allowing an eligible employee to make pre-tax contributions through a cafeteria plan?	<ul style="list-style-type: none"> • Yes. However, employees' HSA eligibility may be lost if the QSEHRA's coverage is not HSA-compatible coverage.
Are QSEHRAs subject to Patient-Centered Outcomes Research (PCOR) fees?	<ul style="list-style-type: none"> • Yes.
Can a QSEHRA allow for carryover of unused benefit amounts (carryover) from a prior plan year?	<ul style="list-style-type: none"> • Yes. However, the sum of the carryover amount and the permitted benefit amount under the QSEHRA for the later year cannot exceed the statutory dollar limit in that later year.

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