

## Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)

### **INFORMATION FOR EMPLOYERS:**

*This document is intended to be a summary of the QSEHRA requirements found in section 9831(d) of the Internal Revenue Code of 1986, as amended ("Code"). Please refer to Code section 9831(d) for a more detailed description of QSEHRA rules.*

### **OVERVIEW**

A qualified small employer (one that employs fewer than 50 full-time (including full-time equivalent) employees, and does not offer a group health plan to any of its employees) may offer a QSEHRA to its employees for the payment or reimbursement of eligible medical expenses (including individual insurance policy premiums) on a pre-tax basis.

The QSEHRA must be provided on the same terms to all eligible employees. The QSEHRA benefit can vary in accordance with the variation in the price of an insurance policy in the relevant individual health insurance market, based on the age of the eligible employee and covered family members, or the number of family members of the eligible employee covered.

Because the QSEHRA is being offered by a church, it is not subject to ERISA. The QSEHRA is not a group health plan and is not subject to any health care continuation rights. The QSEHRA is not subject to the Public Health Service Act mandates included in the Affordable Care Act.

The QSEHRA must comply with section 9831(d) of Code (added by section 18001 of The 21<sup>st</sup> Century Cures Act) and sections 105 and 106 of the Code. The QSEHRA cannot discriminate in favor of highly compensated individuals as to eligibility to participate, allocations and benefits, in accordance with applicable provisions of the Code.

An employer must report the total amount of the annual permitted benefit on each employee's W-2 (Box 12, Code FF).

### **NOTICE REQUIREMENT**

The employer must provide an annual written notice to eligible employees not later than 90 days before the beginning of the plan year (or if an employee is not eligible to participate in the QSEHRA as of the beginning of the plan year, the date on which the eligible employee is first eligible to participate in the QSEHRA). The notice must contain specific information, including the amount of the permitted benefit under the QSEHRA, a statement that the eligible employee should provide information regarding the amount of the benefit to any health insurance exchange to which the employee applies for advance payment of a premium tax credit, and a statement that if the employee is not covered under minimum essential coverage for any month, the employee may be subject to tax under the individual mandate requirement of the Affordable Care Act and any reimbursement under the QSEHRA may be includible in gross income.

**INFORMATION FOR EMPLOYEES:**

Your employer has chosen to offer a qualified small employer health reimbursement arrangement (QSEHRA) to all eligible employees for the payment or reimbursement of expenses for medical care (including individual health insurance policy premiums) on a pre-tax basis, if certain conditions are met.

Your employer has the authority to amend or discontinue the QSEHRA at any time and has the discretion to interpret the provisions of the QSEHRA and your right to benefits under the QSEHRA. Your employer will establish and maintain a procedure that allows for a full and fair review of any adverse benefit determination.

**ELIGIBILITY**

You will be covered under the QSEHRA unless you have not completed 90 days of employment, are under the age of 25, are a part-time or seasonal employee, are covered under a collective bargaining agreement that does not provide for coverage under the QSEHRA, or are a nonresident alien with no US-source income.

**PLAN YEAR**

The plan year is the calendar year.

**CONTRIBUTIONS**

The QSEHRA will be funded solely by your employer; no employee salary reduction contributions are allowed. Your employer will contribute amounts necessary to meet its obligations under the QSEHRA out of its general assets. There are no segregated funds established to collect or maintain the contributions.

**BENEFITS**

The QSEHRA will provide for the pre-tax payment or reimbursement of expenses for medical described in section 213(d) of the Code (including premiums for individual health insurance) incurred by you or your family members, after you provide proof of the health coverage or expense to your employer.

The maximum amount of reimbursement or payment from the QSEHRA during the plan year is described in section 9831(d) of the Code (currently \$4,950 for an eligible employee and \$10,000 if family members are covered under the QSEHRA; these amounts may be adjusted in future years). If you are not covered for an entire plan year, the dollar limit is pro-rated for the number of months you are covered under the QSEHRA.

The QSEHRA can only reimburse health insurance premiums that are not covered under any other benefit program. If you are covered by your spouse's employer's group health plan, reimbursement for that coverage will be allowed on a pre-tax QSEHRA basis only if your spouse paid for the health coverage on an after-tax basis.

You must have minimum essential coverage for the month in which the medical care is provided or the premium is reimbursed in order for the payment or reimbursement from the QSEHRA to be tax-free. Health care sharing programs that are not considered insurance programs do not qualify as minimum essential coverage.

There is no carryover of any unused benefit from one plan year to another. No cash outs are allowed. If your participation in the QSEHRA ends, the period of coverage ends on the day of the terminating event and any expenses incurred after that date are ineligible for reimbursement, even if you have not incurred qualified expenses equal to the amount allocated on your behalf under the QSEHRA before that date.

**IMPACT ON PREMIUM TAX CREDITS**

A QSEHRA benefit will reduce the amount of premium tax credits received from a federal or state marketplace.