

REIMBURSEMENT ARRANGEMENTS

Easy as QSEHRA & ICHRA

As employers consider group benefit coverage for employees or subsidizing individual coverage, the IRS offers two different reimbursement arrangement options. Qualified Small Employer Health Reimbursement Arrangements (QSEHRAs) were available to employers in 2017 and Individual Coverage Health Reimbursement Arrangements (ICHRA) are newly available in 2020. These reimbursement arrangements can offer a creative alternative to traditional group healthcare plans for employer groups that are considering how to best meet the needs of an ever-changing and competitive market for employees.

The table below outlines the differences in the two plans as employers evaluate which is the best option for their people and organizations.

QSEHRA	ICHRA
Limited to employer groups with less than 50 FTEs.	No limit on number of employees; can offer to plans of employees > 50.
Cannot offer another group policy in conjunction with QSEHRA including dental or vision.	Can offer other group health plans but without a choice between the two, can offer solely to different classes of employees (keeping in mind discrimination rules).
All eligible full-time employees are automatically eligible but employer can choose to offer to part-time if given the same allowance for reimbursement.	Can offer to only certain classes of employees but if you offer both ICHRA and group health coverage, the classes are subject to minimums (under 100 employees, class must be at least 10 employees).
Can reimburse for individual coverage, other group coverage, or medi-share.	Can reimburse for individual coverage or Medicare, not for other group coverage or Medi-share. Employees covered under a spouse's insurance policy cannot participate in the ICHRA. employees must have individual coverage to participate.
Employees cannot opt out of the QSEHRA if a full-time employee.	Employees can opt-out of the ICHRA and accept premium tax credits or vice versa.



REIMBURSEMENT ARRANGEMENTS CONTINUED

QSEHRA	ICHRA
Cannot reimburse more than annual IRS cap (2019 was \$5150/year; \$429.17/month for single employees. \$10,450/year and \$870.83/month for employees with family).	No annual contribution cap.
Allowances roll over month to month but total cannot exceed annual cap.	N/A
Can offer different allowances based on age and family size.	Can offer different allowances based on class of employee, age and family size.
Employee can get premium tax credits but their credits are reduced by the QSEHRA allowance.	Employee cannot receive ICHRA reimbursements and premium tax credits unless the ICHRA contributions are “unaffordable”.
Not likely to be subject to ‘pay or pay rules” based on size limitations.	For plans >50, still subject to ACA “pay or play rules” and contributions must be affordable. Employer must calculate the monthly premium for the lowest cost silver plan for self-only coverage of the employee offered in the exchange for the rating area that that the employee lives.

SIMILARITIES BETWEEN QSEHRA AND ICHRA

QSEHRA and ICHRA qualify as an employer-sponsored plan for the purposes of compliance and require specific notices and procedures but not ACA reporting if below the “pay or play” requirements. Reimbursements are both payroll and income tax free for QSEHRA and ICHRA.

About Aldrich Benefits LP

We assist employers with employee benefit consulting including medical, dental, group life, and disability insurance for their employees and executive benefits for high level and key employees. Our services include plan design, implementation, and annual review of benefits. Aldrich Benefits LP is known as Aldrich Insurance Solutions LP in California.

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