

INFOBRIEF



TOPIC: WHEN CAN AN EMPLOYER REIMBURSE INDIVIDUAL PREMIUMS?

ISSUED 10/09/18

Generally, under the Affordable Care Act (ACA), employers are prohibited from paying for or otherwise reimbursing an employee for any individual health plan premiums. This prohibition applies to applicable large employers (ALEs) and non-applicable large employers (non-ALES) alike. There are, however, limited situations where an employer may reimburse an employee for their health coverage cost outside of the employer-sponsored plan.

Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)

A QSEHRA is a health reimbursement arrangement that allows certain small employers to reimburse its employees for the cost of individual health plan coverage. To be eligible for a QSEHRA, the employer must have fewer than 50 full-time equivalent employees and/or not be an ALE member group. Additionally, the employer cannot offer a group health policy to any of its employees. If an employer meets these requirements, it can reimburse employees with individual coverage up to \$5,050 and family coverage up to \$10,250 (indexed annually). These reimbursements are tax-free to employees as long as they maintain minimum essential coverage (MEC) while receiving QSEHRA payments.

Spousal Health Reimbursement Arrangement

A spousal health reimbursement arrangement is one that allows an employer to reimburse their employee for the cost of coverage on the employee's spouse's group health plan. The employee must be enrolled in their spouse's group health plan to receive reimbursement.

Medicare Reimbursement Arrangement

A Medicare reimbursement arrangement is one where the employer reimburses some or all of Medicare part B or D premiums for employees as long as the employer's payment plan is integrated with the group's health plan. To be integrated with the group health plan, the (1) employer must offer a minimum value group health plan, (2) employee must be enrolled in Medicare Parts A and B, (3) the plan is only available to employees enrolled in Medicare Parts A and B, or D, and (4) the reimbursement is limited to Medicare Parts B or D, including Medigap premiums.

Retiree Reimbursement Arrangement

A retiree health reimbursement arrangement allows retired employees access to funds in their retirement HRA account to help pay for qualified medical expenses including Medicare and COBRA premiums. Employers can reimburse all or a portion of individual premiums or Medicare-related cost.

Opt-Out/Waiver Payment

Despite the ACA's prohibition of most premium reimbursement arrangements, it is important to note that employers are still permitted to offer employees incentives for opting out or waiving the employer's group health plan. To ensure that the opt-out/waiver incentive complies with the ACA, the employer cannot require proof of coverage or place any restrictions on the usage of the additional income that is provided to the employee as taxable income via the opt-out/waiver payment.