



INDIVIDUAL COVERAGE HEALTH REIMBURSEMENT ARRANGEMENTS FOR HEALTH PLAN COVERAGE

With the Health Care Open Enrollment season approaching for most employers, coming in 2020 there is a new option (especially for small employers) that many are calling “a game changer for health insurance coverage”.

To help TABS clients understand and navigate the constantly changing world of health care insurance plan options TABS is here to help guide you with this new (and exciting!) choice for health care and, if interested, we can provide you with more detailed information to help you make informed decisions for your business and employees as well as administrative services to set up this plan and notifications and attestations for your employees.

A bit of background: Traditionally, small employers have been hand-tied in how they can offer health plan reimbursement to employees especially for companies that cannot afford or meet the stringent requirements set forth by the IRS in accordance with the Affordable Care Act. For those employers, they have been regulated to only offering employees financial assistance with a Health Reimbursement Arrangement (HRA's) - a type of account-based health plan that employers set allowances to reimburse employees - but those funds have been limited to only medical care expenses.

New changes for 2020: Federal rule takes effect on January 1, 2020, that will now permit employers to pay their employees with pre-tax funds (similar to a traditional company sponsored group health plan) to buy individual health insurance coverage themselves. Further, the new Individual Coverage HRA's ("ICHRA") will provide tax advantages for the employer - as well the reimbursements provided to the employees will not count towards the employee's taxable wages - so, it's a win/win for both the employee and employer!

The Rules: While the new ICHRA's are available to businesses of all sizes, it will especially benefit small businesses looking for new alternatives to group health insurance. As such, the new rules are an excellent option for small employers that cannot, or do not, offer group coverage where it will now allow companies to determine how much they would like to pay for their employee's coverage through a qualified HRA, and under which conditions where employers can decide to pay for “all” or “part” of the employee's health care premiums, out-of-pocket expenses and co-pays, or any combination thereof.

Options: Up until now, the only option for small employers to help employees pay for health plan coverage was through the Qualified Small Employer Health Reimbursement Arrangements (QSEHRA), however, plans had to be purchased through the government's Affordable Care Act Health Insurance Market Place. In comparison, the new Individual Coverage HRA will allow employees to shop for plans in the “individual market place” (private insurance plans) and select coverage that best suits their needs.

How it Works: Employers will offer employees a monthly allowance of tax-free money. Employees will then buy an individual health insurance plan, and the business can reimburse them up to their allowance amount. To participate in the ICHRA, all employees must be covered by an individual health insurance plan or Medicare Parts A and B, or Part C. Unfortunately, employees with Medi-Share or



another health care sharing ministry plan, and employees covered under a spouse's group health insurance policy cannot participate in the ICHRA.

Important to Note: Businesses cannot offer both group insurance and the QSEHRA.

However, businesses can offer both group insurance and the ICHRA as long as both options are not offered to the same employee class. For example, a business can offer group health insurance to one employee class (such as full-time employees) and the ICHRA to another, separate employee class (part-time employees).

A good rule of thumb is that employees should never have a direct choice between group health insurance and the ICHRA.

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