

# Expanded Use of HRAs: A Comparison

Individual coverage HRAs (ICHRAs), excepted benefit HRAs (EBHRAs), and qualified small employer HRA (QSEHRAs) are a defined contribution approach to offering employee benefits. All three have some commonality with traditional health reimbursement arrangement (HRA) rules:

- Funds are employer money only, funded directly from the company's general assets.
- All amounts must be available to similarly situated individuals in a nondiscriminatory manner.

Employees can't be eligible for, or covered by, a combination of these plans. An employer may only offer one type of HRA to any class of qualified employees.

|   | ICHRA   | EBHRA  | QSEHRA  |
|---|---|--|---|
| <b>Effective Date</b>                               | As of PY 2020   | As of PY 2020  | As of PY 2017   |
| <b>Company Size</b>                                 | Any Size  | Any Size   | Under 50, Non-ALE   |
| <b>Qualified Expenses</b>                           | <ul style="list-style-type: none"> <li>• 213(d) Expenses</li> <li>• Deductibles</li> <li>• Coinsurance</li> <li>• Copayments</li> <li>• Individual medical (IMC) premiums purchased, on or off exchange.</li> <li>• Medicare Premiums</li> <li>• Excepted Benefit Premiums: <ul style="list-style-type: none"> <li>◦ Dental &amp; Vision</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• 213(d) Expenses</li> <li>• Deductibles</li> <li>• Coinsurance</li> <li>• Copayments</li> <li>• Excepted Benefit Premiums: <ul style="list-style-type: none"> <li>◦ Short Term Limited Duration Insurance (STLDI)</li> <li>◦ Dental &amp; Vision</li> <li>◦ COBRA</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• 213(d) Expenses</li> <li>• Deductibles</li> <li>• Coinsurance</li> <li>• Copayments</li> <li>• Medical premiums (MEC) to extent that premium was not paid pre-tax.</li> <li>• Medicare Premiums</li> <li>• Excepted Benefit Premiums: <ul style="list-style-type: none"> <li>◦ Dental &amp; Vision</li> <li>◦ COBRA</li> </ul> </li> </ul> |
| <b>Dollar Limits</b>                                | None.<br>An employer can contribute more for employees based on the number of dependents and age (not more than three times the maximum dollar amount available to the youngest).   | \$1,800 per participant per plan year (2020)   | \$5,250 single   \$10,600 family (2020)<br>An employer can base the amount on age of an employee or number of family members, based on the variation of premium.  |
| <b>Carryover Balance</b>                            | Yes   | Yes.<br>Carryover not included in following year's annual limit.   | Yes.<br>Carryover is included in the following year's annual limit.   |
| <b>Prorated Amounts</b>                             | Mid-year Enrollments  |  |   |
| <b>Group Health Plan Allowed?</b>                   | Yes, although it cannot be offered to the class of employees offered ICHRA.   | Yes, must offer to employees eligible for the EBHRA although the employee doesn't need to be enrolled.   | No group health plan can be offered to any employees.   |
| <b>Separate Excepted Benefits Coverage Allowed?</b> | Yes   | Yes  | No  |

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| <b>Eligible Employees</b> | <ul style="list-style-type: none"> <li>Any employee not being offered a group health plan as defined by the plan document and classes.</li> <li>Must be enrolled in ACA-compliant individual medical coverage (IMC) or Medicare.</li> </ul>   | Any employee as defined by the plan document.  | Any employee as defined by the plan document enrolled in minimum essential coverage (MEC).  |
| <b>Classes Allowed</b>    | <ul style="list-style-type: none"> <li>Full-time/Part-time</li> <li>Seasonal</li> <li>Salaried/Hourly</li> <li>Temporary Workers of Staffing Firm</li> <li>Geographic location</li> <li>Employees of Collective Bargaining Agreement (CBA)</li> <li>Employees Who Haven't Satisfied Waiting Period</li> <li>Non-resident Aliens With No U.S. Earned Income</li> <li>Combination of Above</li> </ul> <p>If employer offers a traditional group health plan to any class of employees and breaks ICHRA eligibility into classes based on full-time/part-time, salaried/hourly, or geographic location, the following minimum class sizes apply:</p> <ul style="list-style-type: none"> <li>&lt; 100 EEs = 10</li> <li>100-200 EEs = 10% of Total No. of Employees</li> <li>200+ EEs = 20 EEs</li> </ul> | <p>Uniform availability requirements apply; benefit must be provided on same terms to all similarly situated employees, with differences only for employment based classifications, ex.:</p> <ul style="list-style-type: none"> <li>Full-time/Part-time</li> <li>Salaried/Hourly</li> <li>Geographic Location</li> </ul> | <p>Can exclude:</p> <ul style="list-style-type: none"> <li>Employed Less than 90 Days</li> <li>Under Age 25</li> <li>Part-time</li> <li>Seasonal EEs</li> <li>Employees of CBA</li> <li>Non-resident Aliens With No U.S. Earned Income</li> </ul> |
| <b>ERISA Requirements</b> | <ul style="list-style-type: none"> <li>Plan Document</li> <li>SPD</li> <li>SBC</li> <li>Form 5500, if required.</li> </ul> <p>IMC is not subject if safe harbor conditions are met. Employer must notify employees annually the plan is not subject to ERISA.</p>   | <ul style="list-style-type: none"> <li>Plan Document</li> <li>SPD</li> <li>Form 5500, if required.</li> </ul>  | N/A, exempt.  |
| <b>Subject to COBRA</b>   | Yes   | Yes  | No  |

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|   | ICHRA  | EBHRA   | QSEHRA  |
|---|--|---|---|
| <b>Subject to NDT</b>                                 | Yes. Age variance permitted if no more than 3:1 ratio (proposed rules). Premium only ICHRA not subject to NDT.   | Yes   | No, but plan must provide benefits on the same terms to all eligible employees (same terms requirement).  |
| <b>Notices</b>  | <ul style="list-style-type: none"> <li>Furnish notice 90 days prior to the plan year.</li> <li>First year exception for new employers: notice delivered by effective date of plan year if employer formed less than 120 days prior to plan year.</li> <li>Amount reported on W-2.</li> </ul> | <ul style="list-style-type: none"> <li>No additional requirements other than standard ERISA requirements.</li> <li>Amount reported on W-2.</li> </ul> | <ul style="list-style-type: none"> <li>Furnish notice 90 days prior to the plan year or date which employee becomes first eligible for QSEHRA (for newly eligible employees).</li> <li>Amount reported on W-2.</li> </ul> |
| <b>Employer Mandate</b>                               | Can be used to satisfy offer of coverage, affordability, and minimum value requirements.   | Not considered in determining minimum value and affordability.  | N/A; non-ALE employer not subject to the Employer Mandate.  |
| <b>Premium Tax Credit</b>                             | Only eligible if ICHRA eligible individual opts out of the ICHRA and the benefit is deemed unaffordable.   | Still eligible.   | May be eligible if individual coverage is purchased on the Exchange. Employee must inform Exchange of QSEHRA.   |
| <b>Compatible with HSAs</b>                           | If limited to premium reimbursement or limited benefits.   | If post-deductible or limited to premium reimbursement or limited benefits.   | If limited to premium reimbursement or limited benefits.  |
| <b>Compatible with Health FSAs</b>                    | Yes  | Yes   | No. FSA requires group health plan eligibility.   |
| <b>Excess Premiums Paid Through Section 125 Plans</b> | Eligible for off exchange individual plans only.   | No  | No  |
| <b>Compatible with Medicare</b>                       | Yes, can reimburse premiums for Part A, B, C and D as well as Medicare supplemental policies.  | No  | Yes, as long as the benefit is made available on the same terms to all eligible employees (can't reimburse for Medicare only). Can reimburse premiums for Part A, B, C, and D as well as Medicare supplemental policies.  |

ICHRA, EBHRA, and QSEHRA provide a lot of flexibility and choices for the employer. Our Broker Concierge team is here to help identify the best employer solutions for your agency.

*Contact Our Broker Concierge Team to Learn More*

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