

Qualified Small Employer Health Reimbursement Arrangements (QSEHRAs)

The IRS released QSEHRA guidance on November 1, 2017. Authorized in December 2016 by the 21st Century Cures Act, QSEHRAs remain a viable solution for smaller employers to facilitate medical insurance options for their employees.

Which employers can offer QSEHRAs?

To offer QSEHRAs, an employer (1) must not be an applicable large employer (ALE) under the ACA; and, (2) cannot offer group health plans to any of their employees. As such, an employer who offers group health coverage to some employees cannot offer a QSEHRA to other employees. Likewise, a QSEHRA cannot be offered to some employees and not to other employees (see attached). ALEs are subject to the ACA's employer mandate and employers cannot avoid penalties simply by offering QSEHRAs. This means that only employers with less than fifty (50) full-time equivalent employees can offer this benefit (most of our clients).

Which employees are eligible for QSEHRAs?

Typically, if an employer wants to offer a QSEHRA, it will have to offer it to all employees who have completed at least 90 days of work although there are certain groups that can be excluded (see attached).

To read the IRS guidance, click [here](#).

QSEHRA contribution limits for 2018

The IRS released the 2018 QSEHRA guidelines through [Revenue Procedure 2017-58](#) on October 19, 2017. For tax years beginning in 2018, small businesses can offer QSEHRAs with the following limits.

	Annual Limit	Monthly Limit
Self-only employees	\$5,050	\$420.83
Employees with a family	\$10,250	\$854.16

The monthly limit reflects the annual limit over a period of 12 months.

For employees who become eligible for the QSEHRA midyear, the limits must be prorated to reflect the total amount of time the employee is eligible. For example, an employee who is eligible for the QSEHRA for eight months in 2018 could receive up to \$3,366.64 through the benefit that year.

To read more about QSEHRAs, click [here](#).