

June 26, 2017

Dear Client:

New legislation is letting small employers offer a QSE HRA (qualified small employer health reimbursement arrangement). The QSE HRA allows a small employer to reimburse their employees for their Individual Health Insurance Premiums on a tax free basis and a business deduction to the employer.

Here are some of the major points surrounding the QSE HRA

1. To Qualify for a QSE HRA:
 - a. Must be between 2-49 full time employee's
 - b. Does not offer group health insurance
2. Funding
 - a. Must be solely funded by the employer
 - b. No employee funding is allowed
3. Reimbursement Maximums
 - a. \$4,950 for individual coverage
 - b. \$10,000 for family coverage
 - c. Amounts may be prorated for newly eligible employees
4. Reimbursable Expenses
 - a. Health Insurance Premiums on or off the Marketplace
 - b. All other Section 213(d) expenses (Out of pocket medical expenses)
5. Plan Design- Plan must be offered in the same terms to all "eligible" employees
6. Employees must have a minimum essential covered plan
7. The regulations are very clear that every expense must be substantiated prior to being reimbursed
8. 3 Notices are required to be given to all participants in the QSE HRA
 - a. Summary Plan Description must also be provided
9. Penalties will be enforced for not providing 3 required notices and additional penalties of \$100.00/day/employee for non-compliance

We suggest that you contact an employee benefits specialist to help you get started and to ensure you are in compliance with the new regulations. Please let us know if you have any questions.

Sincerely,

Hacker, Nelson & Co., P.C.