

QSEHRA Sample Proposal



Smart Choices Healthcare
Creative Employee Benefit Strategies

Introduction to QSEHRA

Among the first widely used personalized benefits was the Health Reimbursement Arrangement (HRA). HRAs were introduced through the Employee Retirement Income Security Act (ERISA) in 1974 as a way for businesses to reimburse employees for medical expenses not covered by the company's group health insurance policy.

HRAs grew in popularity through the 2000s, and eventually evolved to reimburse employees for individual health insurance policies in addition to other qualified medical expenses. This allowed companies to offer HRAs in place of group health insurance.

The Affordable Care Act seriously limited HRAs in 2014; the 21st Century Cures Act reintroduced them to the small business market beginning in 2017 as the [Qualified Small Employer HRA](#) or better known as an [QSEHRA](#).

Smart Choices Healthcare is a leader in the QSEHRA/HRA SB market. We offer small employers a better solution to group health plans.

Attached is our proposal that we hope you will favorably consider.

First, Who is Eligible? Small Employers — Under 50 Employees

The employer **must not be** an applicable large employer (ALE) under the ACA's employer shared responsibility provisions. **In addition employers are prohibited from offering any group health plan to any of its employees.**

Eligible Employees:

Generally, all employees must be offered coverage under the QSEHRA on the same terms. However, there are several important exceptions to that rule: Certain classes of employees can be excluded from the QSEHRA:

- Part-time or seasonal employees, union employees and employees under age 25. **(Note that the definition of part-time and seasonal here is not the same as under the ACA.)**
- Different benefit levels can be offered for single and family coverage.
- Different benefit levels can also be offered based on the employee's age and number of family members.

Also, in order for any amounts received under the QSEHRA to be tax free*, the **employee must have** some other form of minimum essential coverage (MEC) — an individual health insurance policy, coverage under a spouse or parent, employer's health plan or some government health plan, like Medicare.

Smart Choices Healthcare provides both the legal documents and the ongoing employer reimbursement validation services for the Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) Section 18001 of the Cures Act dated December 13, 2016.

Smart Choices Healthcare QSEHRA Kit 2020

- **Formal Plan Documents including:**
 - Official Plan Documents
 - Summary Plan Description (SPD)
 - Federal Marketplace Notice
 - HIPAA requirements (if applicable)
 - All required Schedules and Exhibits
 - Employee Benefit Plan Notifications
 - QSEHRA Announcement Flyer
 - Employee Expense Claim Portal
 - QSEHRA Denial Letters (if applicable)
 - Employer Reporting on a monthly basis for payments

Fees for QSEHRA Services provided by Smart Choices Healthcare:

QSEHRA Consulting Services – No Charge

Consult with the employer on eligibility and provide guidance on the regulation.

Employee Advocacy Services - No Charge

QSEHRA Documents - \$800 - paid in advance with signed contract before document preparation.

- Summary Plan Description (SPD)
- HIPAA Privacy Disclosure
- Notices to Employees
- Non Discrimination Testing

QSEHRA Reimbursement Validation \$15.00 per eligible employee per month fee - paid in advance of the plan year.

- Monthly Proof of Coverage Validation Services
- Employee Claim Assistance for Reimbursements
- All reporting for QSEHRA Services both employer and employee

Smart Choices Healthcare Employer and Employee Services

Maximum Employer Contribution and Eligibility

The maximum benefit under a QSEHRA for 2021 cannot exceed \$5,300 for individual or \$10,700 for family coverage.

Those amounts must also be prorated if the employee is not covered by the QSEHRA for entire year (e.g., in the case of a new hire or terminated employee). Solely the employer must fund the benefit with no contributions from employees.

Employees can use QSEHRA funds to pay for:

- Individual health insurance and other qualified medical premiums
- Employers are not required to open up the QSEHRA to all eligible expenses; it is a plan design choice what the employer will allow the QSEHRA funds to be used for.

QSEHRAs and Marketplace Coverage

The employee is required to disclose the amount of benefits available under a QSEHRA to the exchange, which will then take that benefit into account when determining whether the employee is eligible for a premium subsidy.

Smart Choices Healthcare works to ensure employees have resources to purchase minimal essential coverage (MEC) through the marketplace.

QSEHRA Administrative Requirements

Smart Choices Healthcare will provide, on behalf of the employer, a written notice to eligible employees 90 days before the start of the plan year spelling out: the amount of benefit available for the coming year, that the employee is required to notify the exchange of the QSEHRA if they apply for a subsidy and the consequences of not having other MEC. This document is created each plan year.

The employee must obtain “**proof of coverage**” before reimbursing any expenses under the QSEHRA and will submit to *Smart Choices Healthcare* for validation of the qualified expense. These expenses that are received are to be paid by the employer based on the specified pay schedule. Quarterly statements are sent to both employer and employees that explain what has been reimbursed thus far and what remaining balances are in the QSEHRA for future reimbursements.

Note: Unlike regular health reimbursement arrangements (HRA's), an employer does not need to offer COBRA with a QSEHRA.

It is the responsibility of the employer to understand the rules of the QSEHRA and to pay employees only on valid qualified medical expenses.

Smart Choices Healthcare will make every attempt to validate receipts and will advise that validation has been received. Payments should be made to the employee per the summary plan description and information in the employee notice.

Smart Choices Healthcare is not responsible for the QSEHRA payments to employees.

I authorize **Smart Choices Healthcare** and or its employees to gather confidential information about our employee healthcare expenses and advise us if those expenses are qualified. Although, every attempt will be made to provide prompt validation services, some employee receipts will not be able to be validated without additional documentation. If receipts are not easily validated it will be the responsibility of the employer to make the decision whether or not to reimburse the employee. Ultimately, the employer takes the responsibility for the reimbursement, compliance and the tax consequences of offering a QSEHRA.

I agree, on behalf of **Company Name** as the employer and for our employees, administrator and directors or myself, to release, indemnify and hold harmless, the **Smart Choices Healthcare** and their affiliates, offices, directors, volunteers and all sponsoring businesses and organizations and their agents and employees, from any and all liability, claims, demands and causes of action whatsoever, arising out of **Company Name** participating in the QSEHRA program and related activities — whether it results from the negligence of any of the above or from any other cause.

This release and indemnification agreement shall be as broad and inclusive as permitted by the state or province in which the event is conducted. If any portion of it is invalid, the balance shall continue in full force and effect. I have read, understand and agree to the terms of this agreement.

Authorized Company Signature _____

Print Name _____ Date _____

Approved Officer at Smart Choices Healthcare Signature

Print Name _____ Date _____

Monthly Maximum Contribution: \$_____ per eligible employee

Employees are reimbursed per month after submission of receipts and subsequent validation of the qualified medical premium paid. The employer pays all reimbursements to employees. These tax-free payments should be run through payroll and properly documented on the W2 at year-end. Please consult with your tax advisor for more information.

Note: Only valid reimbursements will be paid. The amount of the monthly contribution is the maximum liability. The Plan Document fee and the validation service fees are separate charges from above scenarios.

I authorize **Smart Choices Healthcare** to validate receipts up to the above monthly reimbursement amount for each eligible employee of:

Signature _____ Date: _____
Title _____

Plan document requirements

- Name of the Small Business HRA plan administrator
- Name of the HIPAA privacy officer
- Designation of any named fiduciaries
- A description of benefits provided
- The standard of review for benefit decisions
- Eligibility criteria (remember, all full-time, W-2 employees are automatically eligible)
- The effective date of participation (e.g., the first day of employment with the company as a W-2 employee)
- Amendment and termination rights and procedures, and what happens to plan assets, if any, in the event of plan termination
- Rules restricting and regulating the use of protected health information (PHI)
- Plan for coordinating the HRA with other benefits
- Procedures for allocating and designating administrative or documentation review duties to a Small Business HRA third-party administrator (TPA) or committee
- How the Small Business HRA is funded
- Information regarding the Employee Retirement Income Security Act (ERISA), HIPAA, and other federal mandates
- Internal and independent third-party appeals process for adverse benefit decisions

Please visit www.smartchoiceshealthcare.com for more information on QSEHRA, The Cures Act 2016, and the IRS Qualified Expense Reimbursement Information.

Sample QSEHRA Announcement Letter 2021

January 20, 2021

Dear Employee,

After careful consideration and input from our employees, we are excited to announce new employee benefits. As of February 1st, we are offering a new Health Reimbursement Arrangement referred to as the QSEHRA. This plan will allow you to purchase individual health insurance policy and be reimbursed for the premiums.

Starting March 1, 2021, you will receive a monthly allowance you can spend on a Minimal Essential Coverage (MEC) health insurance policy available in the individual market or through your spouses group health plan. The company will reimburse you for the insurance premiums up to your allowance each month with valid receipts that meet the IRS standards.

There are several benefits to individual health insurance that leads us to believe it will better serve you and your family. With individual health insurance, you get to choose the policy that best fits your needs. You can pick a policy that includes your doctor and you can keep your policy for as long as you want.

It is important to our company that you receive the best options for your healthcare needs at a cost to you that you can afford. We have contracted with **Smart Choices Healthcare** to make this process easy for everyone. Over the next coming weeks, we will provide you with more information on the QSEHRA and your allowance. We will also provide you with resources including health insurance shopping assistance to help you and your family purchase a new policy. We look forward to helping you with your out of pocket healthcare expenses and providing you with additional information on this great new employee benefit.

Sincerely,

Employer