



THE COMPLETE ICHRA and QSEHRA COMPARISON GUIDE



Everything you need to
compare the Individual
Coverage HRA and
Qualified Small Employer
HRA

ABOUT THIS GUIDE

Thank you for taking the time to read through this helpful comparison guide. Whether ICHRA and QSEHRA are brand new to you or not, you'll find this guide a great resource to help you further understand which option is right, and which may not be.

If you have any additional questions please don't hesitate to reach out! We have a seasoned team of professionals on stand-by to answer any questions you may have. Please look on the last page for helpful resources and contact information.

Thank you again, and have a great day!

Flyte HCM Sales Team



COMPARISON: *ICHRA AND QSEHRA*

	ICHRA Individual Coverage HRA	QSEHRA Qualified Small Employer HRA
Employer Type	Available to any size business.	<p>Available to businesses with fewer than 50 full-time employees that does not offer a traditional group health plan.</p> <p>An employer that provides a group health plan to current employees in an excludable category (see below) is not an eligible employer.</p>
Employee Classes	<p>An ICHRA must be offered on the same terms and conditions to all employees within a class, except that the benefit amount may increase based on age (maximum 3:1 ratio) or family size.</p> <p>Classes are determined at the common-law employer level (rather than on a controlled group basis).</p>	All employees must participate unless under the plan they are excluded based on one or more of the excludable category (see below)
Classes Defined	<ul style="list-style-type: none"> • Salaried • Non-salaried (e.g. hourly) • Full-time (as defined in Code Section 105 or 4980H) • Part-time (as defined in Code Section 105 or 4980H) • Seasonal (as defined in Code Section 105 or 4980H) • Employees covered by collective bargaining unit • Employees who have not satisfied a waiting period for coverage • Nonresident aliens with no US-based income • Employees of an entity that hired the employees for temporary placement at another entity(temporary worker rule) • Employees whose primary site of employment is in the same rating area. The rating area is defined as the rating area used for ACA premium rating requirements in the individual market. This allows employers to offer or vary benefits based on worksite location. • Any combination of two 	<p>Excludable Categories:</p> <ul style="list-style-type: none"> • Employees who have not completed 90 days of service • Employees who have not attained age 25 before the beginning of the plan year • Part-time • Seasonal employees • Non-participating employees covered by a collective bargaining agreement (if health benefits were the subject of good faith bargaining) • Non-resident aliens who do not receive earned income from the employer from sources within the United States. • An employee must be offered the QSEHRA no later than the day after the date on which the employee ceases to fall within any of the excludable categories.

COMPARISON: *ICHRA AND QSEHRA cont.*

	ICHRA Individual Coverage HRA	QSEHRA Qualified Small Employer HRA
Eligible Expenses	Individual health insurance premiums, Medicare premiums Part A, B, C and D, Medicare Supplement premiums, certain insured student health plans, ACA compliant catastrophic health plans, qualified 213(d) medical expenses. Employers may design the plan to reimburse premiums and all (or certain) 213(d) eligible expenses, or limit to just premiums. Short-term limited-duration insurance (STLDI), self-insured student health plans and coverage consisting solely of excepted benefits are not eligible for reimbursement.	QSEHRAs can reimburse employees for medical care as defined under Code §213(d) that are incurred during the QSEHRA period of coverage. Reimbursement of individual major medical health insurance premiums, as well as other Code §213(d) expenses incurred during the QSEHRA coverage period, is permitted. A QSEHRA may reimburse premium payments for coverage of a spouse or other eligible family member, including expenses paid through another employer's plan.
Substantiation Requirements	Individual health insurance coverage substantiated annually and for each reimbursement. Employee attestation accepted. 213(d) medical expense substantiation required per IRS regulations governing HRAs.	213(d) medical expense substantiation required per IRS regulations governing HRAs. The "MEC substantiation" can be accomplished by obtaining an attestation by the employee that the coverage is MEC. The initial proof of MEC must be provided at least annually for each individual whose expenses are to be reimbursed, before the first expense of that individual is reimbursed. An employer may rely on the employee attestation absent actual knowledge that the individual does not have MEC. For subsequent months, attestation that the individual continues to have MEC can be incorporated in the reimbursement claim form or process.
Group Health Insurance Interaction	Businesses can offer traditional group health insurance, but not to the same class of employees to whom they offer the ICHRA.	Businesses cannot offer group health, dental, or vision insurance in addition to a QSEHRA.
Tax Savings	Reimbursements are free from payroll and income tax.	Reimbursements are free from payroll and income tax. Only employees with minimum essential coverage (MEC) can receive QSEHRA reimbursements free of income tax. Employees without MEC must report all QSEHRA reimbursements as taxable income when they file their taxes.

COMPARISON: *ICHRA AND QSEHRA cont.*

	ICHRA Individual Coverage HRA	QSEHRA Qualified Small Employer HRA
Cafeteria Plan Interaction	<p>Individual health insurance premium amounts above what is not reimbursed through the ICHRA may be paid pre-tax through a cafeteria plan salary reduction, as long as the coverage is purchased outside of an Exchange. If offered, salary reductions must be available on the same terms and conditions to all employees within a class.</p> <p>ICHRA is considered a group health plan. As such, a health FSA may be offered along side an ICHRA.</p>	Not available.
Carryovers and Cash-outs	<p>Carryovers permitted if allowed under the employer's ICHRA plan.</p> <p>Cash-outs are not permitted</p>	Carryovers permitted. Total reimbursements in one year cannot exceed the annual maximum. A QSEHRA can have a run-out period for submission of claims incurred during the coverage period. Cash-outs are not permitted even on a taxable basis, and will disqualify a QSEHRA, causing all payments to all eligible employees to be taxable.
Forfeitures	Employees that cease to be eligible would forfeit the remaining balance (subject to COBRA if lost eligibility was due to a qualifying event).	Employees that cease to be eligible would forfeit the remaining balance. COBRA does not apply.
Premium Tax Credits (PTC)	Employees will be ineligible for PTC when enrolled in the ICHRA.	Employees with premium tax credits can participate in the QSEHRA, but their premium tax credit will be reduced by the amount of their QSEHRA allowance.
Waivers and Opt-Outs	ICHRA participants must be able to opt out and waive future reimbursements annually before each plan year. Upon termination of employment, participants must either forfeit the remaining balance (subject to COBRA) or be able to permanently opt out of and waive future reimbursements.	Employees cannot opt out of the QSEHRA.

COMPARISON: *ICHRA AND QSEHRA* *cont.*

	ICHRA Individual Coverage HRA	QSEHRA Qualified Small Employer HRA
Employer Mandate	Only employers with at least 50 full-time employees, including full-time equivalent employees, in the prior year are applicable large employers subject to the employer mandate. An offer of an ICHRA counts as an offer of coverage under the employer mandate. Whether an applicable large employer that offers an ICHRA to its full-time employees (and their dependents) owes a payment under the employer mandate will depend on whether the HRA is affordable. This is determined under the premium tax credit rule being issued as part of the ICHRA rule and is based, in part, on the amount the employer makes available under the ICHRA. Therefore, if an applicable large employer wants to avoid an employer mandate payment by offering an ICHRA, the employer will need to contribute a sufficient amount for the offer of the ICHRA to be considered affordable. The Internal Revenue Service plans to provide more information on how the employer mandate applies to ICHRAs at a later date (though soon).	Not available.
HSA Eligible Plans	May be designed to be HSA compatible by reimbursing premiums only or limiting reimbursement in accordance with HSA rules (i.e. no reimbursement until statutory deductible is met). Employees in the same class can be offered a choice between an HSA-compatible ICHRA and one that is not HSA-compatible.	Not HSA compatible.
ERISA Plan	Yes, for the HRA. ERISA plan document, SPD, SBC and Form 5500 required. Note: individual health insurance coverage reimbursed through ICHRA does not make the individual health insurance an ERISA plan.	Yes, for the HRA. ERISA plan document, SPD, SBC and Form 5500 required. Note: individual health insurance coverage reimbursed through a QSEHRA does not make the individual health insurance an ERISA plan.
Non- discrimination testing	HRA 105(h) non-discrimination testing rules apply when offering both premium reimbursement and 213(d) medical expense reimbursement.	No.

COMPARISON: *ICHRA AND QSEHRA* *cont.*

	ICHRA Individual Coverage HRA	QSEHRA Qualified Small Employer HRA
COBRA	Yes, when ICHRA coverage lost due to a qualifying event. Not eligible for COBRA if an employee is no longer covered by individual health insurance coverage.	No.
MSP Reporting Required	Yes.	No.
Notice Requirements	ICHRA's must provide a notice to eligible participants 90 calendar days prior to the beginning of each ICHRA plan year. For new hires and for employees who are newly eligible during the plan year, the ICHRA must provide notice no later than the date on which the ICHRA first takes effect for the participant. The IRS has provided a model notice employers can use. ICHRA's must also provide notice in accordance with ERISA (SPD, SBCs, SMMs and SMRs). If an employer chooses to offer an ICHRA for 2020, the employer will need to provide the required notice for eligible participants.	Employers must furnish a written notice to each eligible employee at least 90 days before the beginning of each plan year. For employees who become eligible to participate in the QSEHRA after the beginning of the plan year (e.g., employees who are hired midyear), the notice must be sent on or before the first day the employee becomes eligible for a QSEHRA. The notice can be sent in writing or via an electronic medium (e.g., email) using IRS rules for the use of electronic media.
Effective Date	Employees who want to take advantage of an ICHRA with a start date of January 1st will need to enroll in individual health insurance during the open enrollment period at the end of the prior year (typically lasting from November 1st to December 15th), unless they have Medicare.	Available now.

About Flyte HCM

Flyte HCM is dedicated to helping employers and insurance professionals achieve a successful benefits administration and HR experience. We specialize in health benefit plan design, plan administration, compliance and HR services.



What We Value:

- The heart of why we do what we do is always about one thing: **the people**. There is tremendous value in the business relationship we build together.
- **Breaking down complexity.** Employee benefits can be complicated. We want to simplify it and make it easier for the everyday employer to understand.
- **Simple technology.** This is another area where it shouldn't be complicated! We innovate processes with technology where needed to increase efficiency and accuracy while still maintaining the person-to-person contact.
- **Boutique-style customer service.** We exist to serve the needs of our partners and clients. We don't want you to get lost in a phone system, or have a question go unanswered. We keep the connection open and check in with you regularly.
- **Always growing, always learning.** We are committed to maintaining a dynamic learning environment within our organization so our employees can blossom and experience new opportunities.

If at any point you need assistance please contact us directly!

952.746.0000

Sales@FlyteHCM.com

ICHRA.com