

February 2017

New Stand-alone HRA Option Available for Eligible Small Employers

Due to the Affordable Care Act (ACA), most stand-alone health reimbursement arrangements (HRAs)—an HRA that is not offered in conjunction with a group health plan—have been prohibited since 2014. However, on Dec. 13, 2016, the [21st Century Cures Act](#) (Act) was signed into law, which allows small employers that do not maintain group health plans to establish stand-alone HRAs, effective for plan years beginning on or after Jan. 1, 2017.

This new type of HRA is called a “qualified small employer HRA” (or QSEHRA). Like all HRAs, a QSEHRA must be funded solely by the employer. Employees cannot make their own contributions to an HRA, either directly or indirectly through salary reduction contributions. Specific requirements apply, including a maximum benefit limit and a notice requirement.

Who is eligible?

To be eligible to offer a QSEHRA, an employer must meet the following two requirements:

1. The employer is not an applicable large employer (ALE) that is subject to the ACA's employer shared responsibility rules.
2. The employer does not maintain a group health plan for any of its employees.

What is the maximum benefit limit?

The maximum benefit available under the QSEHRA for any year cannot exceed \$4,950 (or \$10,000 for QSEHRAs that also reimburse medical expenses of the employee's family members). These dollar amounts are subject to adjustment for inflation for years beginning after 2016. Additionally, the maximum dollar limits must be prorated for individuals who are not covered by the QSEHRA for the entire year.

What is the notice requirement?

An employer funding a QSEHRA for any year must provide a written notice to each eligible employee. This notice must be provided within 90 days of the beginning of the year. For employees who become eligible to participate in the QSEHRA during the year, the notice must be provided by the date on which the employee becomes eligible to participate.

Transition Relief Extension

The Act also extends the transition relief under [IRS Notice 2015-17](#), so that it applies with respect to plan years beginning on or before Dec. 31, 2016.

DID YOU KNOW?

Hours after the new Congress convened on Jan. 3, 2017, chairman of the Senate Budget Committee, Sen. Mike Enzi, R-WY, [introduced a resolution](#) that serves as Republican lawmakers' first steps to repealing and replacing the ACA.

To overcome a Democratic filibuster in the Senate, Republican lawmakers will have to use a special legislative maneuver, called a budget resolution, to repeal parts of the ACA that have budgetary or tax implications.

Enzi's resolution calls on the Senate to draft and submit a bill to the Budget Committee by Jan. 27, 2017.

2018 Final Notice of Benefit and Payment Parameters Released

The Department of Health and Human Services (HHS) recently released its [final Notice of Benefit and Payment Parameters for 2018](#), which describes benefit and payment parameters under the ACA for the 2018 benefit year. This notice becomes effective **Jan. 17, 2017**.

The changes included in this final rule will generally apply for the 2018 benefit year. Updated standards included in the final notice relate to the following:

- Cost-sharing annual limits
- Special enrollment periods in the Exchange
- The individual mandate's affordability exemption

The final rule also enhances standards for state-based Exchanges on the federal platform (SBE-FPs) and creates three new sets of six standardized benefit plan options in the federally facilitated Exchange (FFE).

Finally, the rule provides additional clarity on the special enrollment periods available through the FFE, and updates the ACA's current child age rating structure to provide a more gradual transition when individuals move from age 20 to 21.