



Tax-Free Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)

Opportunity Effective January 1, 2017

The 21st Century Cures Act allows a small employer to offer a "Qualified Small Employer Health Reimbursement Arrangement" (QSEHRA) that may be used by eligible employees for the **tax-free** reimbursement of medical, vision, dental, and hearing expenses, as well as premiums for individual insurance coverage and Medicare.

QSEHRA reimbursements are tax-free to the employee and tax-deductible for the employer as long as the employee is covered by a health insurance plan that provides the ACA-mandated Essential Health Benefits. Notably, there's no requirement for QSEHRA dollars to be used *for* health insurance premiums, it could be used for deductibles, copays, or other medical expenses, but for *any* reimbursement to be tax-free, the employee must have health insurance (and provide proof of coverage to the employer to affirm this).

To offer a QSEHRA, the employer

- ✓ Must have less than 50 employees during the prior year (*not considered an applicable large employer (ALE) subject to the ACA*).
- ✓ May not offer any group plan (ie. medical, vision, dental).
- ✓ Ensure the employee and potentially any covered dependent must have minimum essential health plan coverage (MEC) in order to be eligible for tax-free reimbursement.
- ✓ Must maintain a written plan document detailing the benefits of the plan. In addition, you must distribute a written notice to employees 90 days before the beginning of the plan year (or on the date a new enrollee is first eligible).

What else?

- ✓ Employers may choose which expenses are eligible. As an example, the plan could only reimburse individual health plan premiums for those with individual coverage. Or, it may reimburse out-of-pocket medical expenses for all eligible employees.
- ✓ Plan must be offered on the same terms to all eligible employees other than benefits may vary based on age and family-size to account for variations in the prices of insurance policies.
- ✓ Must be funded solely by an eligible employer (employee contributions are not permitted).
- ✓ Reimbursement available up to federally annually indexed maximum
- ✓ If the QSEHRA constitutes "affordable" coverage, the individual will not receive a subsidy for that month. If the QSEHRA is not affordable, then the subsidy will be reduced by 1/12 of the maximum annual amount the employee can receive under the QSEHRA.
- ✓ Employees are not permitted to waive coverage.
- ✓ W-2 reporting of the maximum calendar year benefit is required in Box 12 with code "FF".
- ✓ Must file Form 720 and pay the PCORI fee for an "applicable self-insured health plan" (Part II, 133).
- ✓ QSEHRAs are not a COBRA eligible benefit.

FlexBank Can Help!

For a fee of \$450, FlexBank will prepare the IRS required plan document and employee notice so you can self-administer the plan.

Once we receive your completed application + a check made payable to FlexBank, Inc., we will forward your plan document post-haste.

Contact FlexBank.

By phone: 888.677.8373
By email: Compliance@FlexBank.net
By mail: 1250 W Dorothy Lane, Suite 107,
Dayton OH 45409

FlexBank QSEHRA Application

Legal employer name		
Address/City/State/Zip		
Phone number	Fax number	Tax ID Number
Contact name	Contact email address	
Related employers? List all related employers and associated Tax ID and addresses.		
Corporation type <input type="checkbox"/> C Corp <input type="checkbox"/> S Corp <input type="checkbox"/> Partnership / LLP <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Non-profit <input type="checkbox"/> Church <input type="checkbox"/> Government <input type="checkbox"/> School (public) <input type="checkbox"/> School (private) <input type="checkbox"/> PSC (note if file as a C or S) <input type="checkbox"/> LLC (note if file as Partnership, C or S) <input type="checkbox"/> Other _____		
<i>Sole proprietors, partners within a partnership, owners of an LLC (filing as an S or partnership), owners of an LLP and more than 2% owners of an S-Corporation are prohibited from participating in the plan. Rules of attribution apply to more than 2% S owners, thus owner's spouses, parents, children and grandchildren may not participate.</i>		
List Owners' Names, Ownership %, Family Members:		
Health Insurance		
Do you sponsor any group health plan (medical/vision/dental)? <input type="checkbox"/> Yes <input type="checkbox"/> No		
Do you have 50 or more employees (applicable large employer (ALE))? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If the answer to either is "yes", you are not permitted to offer a QSEHRA.		
QSEHRA Plan Design		
Effective date	Plan Year = <i>Calendar Year</i>	
Who is eligible to participate? <input type="checkbox"/> Employees + covered dependents covered by individual health plans providing minimum essential coverage (MEC) for individual premium reimbursement only. <input type="checkbox"/> Employees + covered dependents covered by Medicare and/or Medicare supplemental policies for premium reimbursement only. <input type="checkbox"/> Employees + covered dependents covered by a health plan with minimum essential coverage (MEC) elsewhere (group or individual). <i>It is our current understanding if you permit reimbursement of eligible out-of-pocket medical expenses, you must offer to all employees with other coverage (group or individual).</i> <input type="checkbox"/> Exclude: _____ You may legally exclude: employees who have not completed 90 days of service; employees under age 25; part-time and seasonal employees; union employees unless the relevant collective bargaining agreement provides for eligibility; and employees who are non-resident aliens with no US source income.		
When are employees eligible to participate? (Example - full time employees may enter the plan upon their date of hire) How many hours are considered full time?		
Describe the QSEHRA plan design (i.e. what expenses are eligible for reimbursement; what is the maximum benefit*, etc.)		
Reimbursement is available up to the monthly maximum = 1/12 of the federal annual maximum. <i>(2019 12 month maximum is \$5,150 for employee only reimbursement; \$10,450 for employee + dependent)</i>		
Eligible Expenses (i.e. deductible, co-insurance, copays, individual premiums, Medicare premiums)		
Do the participants also contribute to health savings accounts (HSA)? <input type="checkbox"/> Yes <input type="checkbox"/> No		
Benefit end date = employment termination, loss of eligibility or loss of insurance coverage, whichever comes first.		
Referring Contact Information		
Who referred you to FlexBank? Please note the name and contact information.		
Next Step: Mail completed application and check payable to FlexBank, Inc. to 1250 W Dorothy Lane, Dayton, OH 45409. Thank you for your business, we appreciate the opportunity.		