



WOW, more tax-free options!

Effective January 1, 2020

In 2020, two new types of HRAs are permitted. Like traditional HRAs, eligible reimbursements are tax-free to the employee and tax-deductible to the employer.

Individual Coverage HRA

Employers are permitted to offer an "Individual Coverage HRA" (ICHRA) for the **tax-free** reimbursement of medical, vision, dental, and hearing expenses, as well as premiums for individual insurance coverage, Medicare premiums and Medicare supplements. The employer determines which expenses are eligible.

Who's eligible for the ICHRA? Employees and family members covered by **individual** health insurance.

What's considered eligible individual coverage?

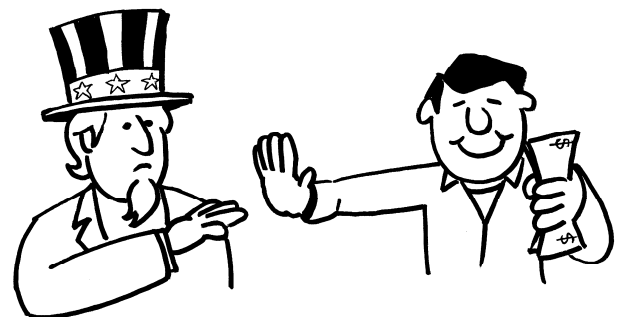
The employer must ensure eligible employees and family members have coverage under an individual insurance plan purchased on or off Exchange (plans can be Grandfathered or Grandmothered as well), fully insured student health insurance coverage, Medicare Part A **and** or Part C, Medicare Supplement or Medigap Coverage.

What's ineligible? Employees are not eligible for the ICHRA if covered by a group health plan, TRICARE, short term limited duration coverage or health care sharing ministries.

To offer an ICHRA, the employer...

- ✓ Can be of any size.
- ✓ Can offer a traditional group health plan (although not required).
- ✓ Cannot offer a traditional group health plan to the same class of employees eligible for the ICHRA.
- ✓ Must offer the ICHRA on the same terms to all employees within a class, except the benefit amount may increase based on age (up to 3:1 ratio for older participants) or family size (no capped ratio).

- ✓ Classes: The ICHRA can be offered based on the following classes (determined at the common law employer level): full-time, part-time, employees in same geographic location, seasonal, employees in collective bargaining agreement, employees who have not satisfied a waiting period, non-resident aliens with no U.S.-based income, salary, hourly, temporary employees of staffing firms, or any group of employees formed by combining two or more of these classes.
- ✓ Minimum class size rule applies if certain employees are offered the group health and others are offered the ICHRA based on: full-time vs part-time; salaried vs non-salaried; or geographic location (if location is smaller than a state). The minimum class size for the ICHRA is:
 - Ten if less than 100 employees;
 - Ten percent of the total number of employees if have 100-200 employees;
 - Twenty if have more than 200 employees.
- ✓ Must maintain & distribute written plan document/SPD/SBC detailing the benefits of the plan to be distributed 90 days before the beginning of the plan year (or on the date a new enrollee is first eligible).
- ✓ Must permit employees the option to annually waive ICHRA coverage as it affects subsidies.
- ✓ Employers where Medicare is secondary must report certain information to CMS if maximum HRA benefit per person is \$5,000 or more.
- ✓ Must offer COBRA continuation (if applicable).
- ✓ Must file Form 5500 (if applicable).
- ✓ Must pay an annual fee for the Patients-Centered Outcomes Research Institute (PCORI).



Tell me more about the ICHRA rules, but please be brief, there's a lot to know.

- ✓ Much like traditional HRAs, employers decide the maximum benefit amount and which expenses are eligible. As an example, the plan could reimburse individual health plan premiums only. Or, it could reimburse out-of-pocket medical/vision/dental expenses, or a combination of both.
- ✓ The ICHRA qualifies as minimum essential coverage under the employer mandate. In general, whether an applicable large employer offering 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.
- ✓ If the ICHRA constitutes "affordable" coverage, the individual will not receive a subsidy for that month. If the ICHRA is not affordable, then the subsidy will be reduced by 1/12 of the maximum annual amount the employee can receive under the ICHRA.

Do any other tax free perks come along with the ICHRA?

Yes. As long as the employee is covered by an ICHRA, pre-tax cafeteria plan salary reductions are permitted. That means employees can pay the portion of their individual insurance premiums not covered by the ICHRA. This is permitted so long as the insurance coverage is purchased outside an Exchange.

And, a flexible spending account can be offered in conjunction with an ICHRA.

That's wonderful! What else?

Excepted Benefit HRA

Employers are also permitted to offer an "Excepted Benefit HRA" (EBHRA) for the **tax-free** reimbursement of medical, vision, dental, and hearing expenses, as well as COBRA or continuation coverage, coverage consisting solely of excepted benefits (dental/vision) and short term limited duration insurance premiums.

Who's eligible? First, the employer must offer a group health plan. Employees eligible for the employer sponsored group health plan (enrollment is not required) are eligible for this HRA.

Who isn't eligible? An EBHRA cannot be offered to employees who are also offered an ICHRA.

Is there a max benefit? For this one, yes. Employers may reimburse up to \$1,800 in 2020 (annually indexed). If rollover of unused benefit is permitted by plan design, these amounts don't count toward the maximum, however, **amounts available under other HRAs or account-based group health plans are counted**, unless those arrangements reimburse only excepted benefits (ie dental and/or vision).

One final note, employers where Medicare is secondary must report certain information to CMS if maximum HRA benefit per person is \$5,000 or more.

FlexBank Can Help!

For a fee of \$450, FlexBank will prepare the IRS required plan document and employee notice. Generally the employer will self-administer this plan.

Contact FlexBank.

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

FlexBank Individual Coverage & Excepted Benefit HRA 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. Add a second page if you need room.		
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 _____ <small>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.</small>		Do you offer a group health plan? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, HSAs too? <input type="checkbox"/> Yes <input type="checkbox"/> No
List Owners' Names, Ownership %, Family Members: Add a second page if you need room.		
Effective Date	Plan Year	
When are employees eligible to participate? Waiting period cannot be longer than 90 days.	Benefit end date = employment termination, loss of eligibility or loss of insurance coverage, whichever comes first.	
Individual Coverage HRA Plan Design		
Participants and covered family members must be covered by an individual health plan or Medicare A and B to be eligible. What class of employees is eligible? <input type="checkbox"/> Eligible: _____ full-time, part-time, employees in same geographic location, seasonal, employees in collective bargaining agreement, employees who have not satisfied a waiting period, non-resident aliens with no U.S.-based income, salary, hourly <input type="checkbox"/> If offer group health plan & eligibility is by class below, must have min class size (by EIN, not controlled group): full-time vs part-time; salaried vs non-salaried; or geographic location, if the location is smaller than a state. Employer is responsible to monitor and comply with the minimum class size requirement. <input type="checkbox"/> Ten employees, if less than 100 employees, <input type="checkbox"/> Ten percent of the total number of employees, for an employer with 100 to 200 employees, and <input type="checkbox"/> Twenty employees, for an employer with more than 200 employees.		
Eligible Expenses (i.e. medical, vision, dental, individual/Medicare premiums)	Maximum Annual Benefit <i>(note if different for single vs family)</i>	Do unused funds rollover? <input type="checkbox"/> Yes <input type="checkbox"/> No
	<i>NOTE: If max benefit > \$5,000 per person, must report certain information to CMS.</i>	Is the full HRA benefit available on the first day of the plan year? <input type="checkbox"/> Yes <input type="checkbox"/> No Or do you restrict reimbursement to what has been accrued to date (ie. monthly)? <input type="checkbox"/> Yes <input type="checkbox"/> No
ICHRA & Pre-Tax Employee Premium Contributions		
If you choose to permit employees to pay for their portion of the individual premium pre-tax, you must have a Section 125/Premium Only Plan document with the IRS required language. <input type="checkbox"/> Yes, I already have a Section 125 Plan and want to hire FlexBank to update my Section 125 documents for a fee of \$150. <input type="checkbox"/> Yes, I need a Section 125 Plan and want to hire FlexBank to prepare my Section 125 documents for a fee of \$300.		
Excepted Benefit HRA Plan Design		
Eligible Expenses (ie. medical, vision, dental, COBRA, short term limited duration, dental and/or vision premiums)	Describe the plan design (i.e. max benefit (up to \$1,800 for 2020), etc.)	<input type="checkbox"/> I agree and will notify FlexBank if this changes at any time: only those eligible for the employer group health plan are eligible for the EBHRA and if any employee has more than \$1,800 in an HRA already, they are not eligible for the full EBHRA benefit.
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.		