

The 21st Century Cures Act **Relief for Selected Health Reimbursement Arrangements**

Beginning on January 1, 2017, a small employer with fewer than 50 full-time equivalent employees can fund an employee's qualified Health Reimbursement Arrangement (HRA) to pay for the employee's qualified out-of-pocket medical costs and for non-group plan health insurance premiums, including premiums for insurance policies purchased on public health care exchanges under the Affordable Care Act. Prior to the passage of this new law, employers that did reimburse employees for their health insurance premiums faced a potential \$100 a day penalty for each employee that received the reimbursement.

But, there are conditions to qualify for this penalty free reimbursement:

- Employers with more than 50 full-time equivalent employees will still face a potential penalty.
- The HRA must be funded solely by the employer (no salary reduction contributions can be made).
- The company cannot offer a separate group health insurance plan.
- The Qualified HRA must be offered to all full-time employees except those who have not completed 90 days of service, are under 25 years of age, or who are covered by a collective bargaining agreement for accident and health plans. Part-time and seasonal employees may also be excluded.
- The reimbursement must be made available on the same terms to all employees.
- The reimbursement can vary based on the age and size of the family.
- The reimbursement will be limited to \$4,950 for an individual or \$10,000 for a family plan.
- The transition relief of IRS Notice 2015-17 was extended until December 31, 2016. (Therefore, there will be no penalties for premium reimbursements by the employer for 2015 and 2016). **One caution, this extension only applies to reimbursement of insurance premiums and not for the payment of other medical expenses.**

Source: Pennsylvania Tax Institutes, Inc.