

What is a Health Reimbursement Arrangement?

Health Reimbursement Arrangements (HRAs) are employer-funded benefits that reimburse employees for health insurance premiums and medical expenses. HRAs are not savings accounts or insurance plans.

Instead of offering a traditional small group health plan, employers set a fixed monthly reimbursement allowance, and employees choose the coverage and care that works best for them. Reimbursements are tax-deductible for employers and tax-free for employees.

Our Proposal:

Our bill will provide a two-year tax credit to businesses that offer their employees a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA, or "Q-Sarah").

A **QSEHRA** is a type of HRA designed for businesses with fewer than 50 employees.

Created by the bipartisan 21st Century Cures Act in 2016, QSEHRAs give small businesses an affordable and flexible way to help employees access health coverage.

Employers cannot offer a traditional group health plan at the same time as a QSEHRA. To receive reimbursements, employees must be enrolled in a health insurance plan that meets the ACA's Minimum Essential Coverage (MEC) requirements.

How QSEHRAs Work:

1. The employer sets a monthly allowance.

Businesses decide how much to offer each employee.

2. The employee chooses a health plan.

Employees purchase coverage through the individual market or other sources.

3. The employee submits expenses.

Expenses may include insurance premiums or other qualified medical costs.

4. The employer reimburses tax-free.

Employees receive reimbursements up to their monthly allowance.

| Small Group Insurance | QSEHRA |
|-------------------------------|---------------------------------|
| Complex plan management | Simple reimbursement model |
| Costs tied to rising premiums | Employers set a fixed budget |
| One plan for all employees | Employees choose their own plan |