CURES ACT AUTHORIZES NEW BREED OF SMALL EMPLOYER HEALTH REIMBURSEMENT ARRANGEMENTS (HRAs)

The *21st Century Cures Act*, a new law signed late in 2016 that helps fund medical research, also provides a cure for the health insurance woes of small employers. Under this legislation, your small business may now offer stand-alone Health Reimbursement Arrangements (HRAs) for employees.

An HRA is a special account used to pay health care expenses, similar to the way some employers use Flexible Spending Accounts (FSAs). Unlike FSAs, however, HRAs may pay for insurance costs – including deductibles, co-insurance and co-payments – in addition to other qualified expenses. In this newly defined, small employer HRA, contributions are provided by the employer as opposed to pay withdrawals determined by the employee.

HRAs are often paired with high-deductible health insurance plans. Distributions and reimbursements from HRAs used to pay for qualified expenses are completely tax-free to employees.

Previously, the *Affordable Care Act* (ACA), which includes an insurance mandate for employers with 50 or more full-time (or full-time equivalent) employees, effectively barred stand-alone HRAs for small employers. But now the *Cures Act* permits stand-alone HRAs if the following conditions are met:

- The employer has fewer than 50 employees and doesn't offer any other group health plan to employees.
- The plan is funded solely by employer contributions.
- Typically, HRAs must offer the same basic terms for all eligible employees.
- The maximum annual employer contribution is $4,950 per year for an HRA covering just the employee and $10,000 that also covers family members.
- The plan must provide payment or reimbursement for qualified expenses. Documentation by employees is required.

Although the future of the *Affordable Care Act* is uncertain, it is expected that stand-alone HRAs for small employers will remain a viable option in the years to come. If interested, these new smaller employee HRAs may be offered beginning in 2017. (1702)