GRAVIE Guide

Small Employer Health Reimbursement Arrangements (SEHRA)

Small businesses can now use health reimbursement arrangements to fund employees who purchase individual health plans on a tax-free basis. Forbes.com called this method "a gift to small business" and many business owners agree.

This guide provides a comprehensive summary of the SEHRA as well as facts employers should know when considering if this approach is right for their business.

What is an SEHRA?

Small Employer Health Reimbursement Arrangements (SEHRA) were made possible by a provision in the 21st Century Cures Act signed into law by President Obama on December 13, 2016. This approach to employee benefits allows small employers (generally, employers with 50 or fewer FTEs) to reimburse employees on a tax-free basis for individual health insurance premiums.

With an SEHRA, employers offer employees money to pay for health insurance plans purchased in the individual market. They then reimburse each employee tax-free for the cost of their plans, up to $4,950/$10,000 single/family annually.

Group health insurance plans traditionally provided by large employers have been tax-free since they came into existence in the early 1920s. And although employers have been reimbursing employees for individual health insurance plans for quite some time, they haven't been able to do so on a pre-tax basis until this law was passed.

How Qualified Employers and Their Employees Could Benefit From an SEHRA

With an SEHRA, employers get tax benefits similar to when offering a group plan, but with more control over their budget (this also referred to as a "defined contribution" approach).

An SEHRA approach to benefits can provide a better experience for employees and their families too, since they are able to select from a wide array of carriers and plan designs in the individual market. Employees select the right plan for their needs and budget, while their employer escapes the impossible task of finding a group plan that fits the unique needs of all employees.

SEHRA Facts

Here are some facts employers should know when considering an SEHRA:

- With an SEHRA, employers are able to offer employees tax-free dollars to pay for individual health insurance premiums
- Available to qualified small businesses starting January 1, 2017
- The SEHRA account must be funded solely by the employer
- Must be offered to all full-time employees
- SEHRA contributions are limited to $4,950/$10,000 single/family annually; additional amounts can be provided as post-tax compensation
- Employees with an SEHRA are required to have minimum essential coverage to receive HRA reimbursements
- Employer dollar contributions must be non-discriminatory, but can be varied based on age and/or family status
- Employer cannot offer an SEHRA as well as a group health plan
- S-corps are eligible, but 2% owners/shareholders are not
- Medicare premiums are eligible expenses under an SEHRA
- Employers who offer an SEHRA are not subject to COBRA
- There are employee notification requirements employers must adhere to before transitioning to an SEHRA

To learn more about whether an SEHRA is right for your business, contact Gravie today.

How does Gravie help employers offer employee benefits through an SEHRA?

When employers partner with Gravie to offer SEHRAs, they get assistance setting a benefits strategy and budget. Employers also get a compliant solution that relieves the administrative hassles that come with providing traditional group health benefits.

Employees get access to expert, licensed advisors and an intuitive, web based shopping platform to help them select their benefits. They also get help year-round with any questions regarding their coverage. Gravie provides a smart tech, human touch approach to benefits that employers and employees love.