

# CLIENT ALERT



December 7<sup>th</sup>, 2016

## Senate Expected To OK Health Care Bill That Allows Small Employer Premium Plans

On December 7<sup>th</sup>, the Senate is scheduled to vote on H.R. 34, the "21<sup>st</sup> Century Cures Act", which was passed by the House of Representatives on November 30 by a 392-26 margin. The measure has bipartisan support and is expected to pass in the Senate and be sent to the President for his signature. H.R. 34 is a large health bill containing a medical innovation package that would accelerate cutting-edge treatments for rare diseases and include significant reforms to the mental health system. Important for small employers, the bill also includes an amendment which would exclude qualified small employer (less than 50 full-time or full-time equivalent employees) health reimbursement arrangements (HRAs) from the IRS Code's group health plan requirements, including market reform provisions enacted by the Affordable Care Act (ACA) that prohibited standalone HRAs. This provision would allow small employers to provide employees with tax-free funds through an HRA that could be used to purchase individual health insurance policies.

To qualify under the bill, the small business HRA would have to be funded solely by the employer to pay for or reimburse employees' medical expenses, including premiums for individual health insurance coverage. Payments or reimbursements would be limited to an inflation-adjusted \$4,950 a year for individuals, and \$10,000 for an employee and family members. An employee offered affordable individual health insurance coverage under a reimbursement arrangement would not be eligible for a premium assistance tax credit, and employers would have to report contributions to a reimbursement arrangement on their employees' W-2. H.R. 34 also would amend the Public Health Service Act to exempt reimbursement arrangements from requirements for health insurance coverage.

The qualified small employer HRA rules would apply for plan years beginning after Dec. 31, 2015. Stay tuned for more information on this development.

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