EMPLOYER PLANNING / 01

A benefits budget. A strategy employees can use.

An employer-funded health reimbursement arrangement (HRA) may help a business start offering health benefits or compare alternatives to a difficult group renewal. The design determines what it can reimburse and who can participate.

The starting question

Are you looking for a different way to fund individual medical coverage, or additional support alongside a group plan? ICHRA and QSEHRA belong in the first conversation. An integrated HRA or EBHRA may belong in the second.

ICHRA / individual coverage HRA

Employers of any size can explore this approach, subject to employee eligibility and class rules. It can reimburse qualifying individual coverage, including exchange plans and qualifying Medicare coverage. There is no federal annual contribution cap, but affordability and other requirements matter.

QSEHRA / eligible small employers

Generally for employers that are not applicable large employers and do not offer a group health plan. Annual federal reimbursement limits, permitted variations, employee exclusions and minimum-essential-coverage rules apply.

EBHRA / a supplemental benefit

An excepted benefit HRA requires an offer of traditional group health coverage to eligible employees. It cannot reimburse individual major-medical premiums and has an annually adjusted contribution limit. Employees do not have to enroll in the offered group plan.

Integrated HRA / alongside group medical

An employer can define eligible reimbursements alongside qualifying group coverage. Review integration, eligibility, covered expenses, carryover and any HSA interaction with the administrator.

Terminology: current federal consumer materials may call ICHRAs “CHOICE Arrangements.” Confirm the actual plan design and requirements rather than relying on the label. Educational information; not a plan document or legal/tax advice. Sources are linked on page 4.

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Model the employer and employee costs.

A predictable contribution is useful only when employees can obtain coverage they can afford and use. Compare the complete arrangement before ending a group plan.

1. Set a sustainable allowance

Define a monthly contribution, eligibility, effective date and any permitted variation by age or dependents. Include administrator fees and the timing of reimbursements in the budget.

Illustrative reimbursement budget

12 eligible employees × $400 per month × 12 months = **$57,600** in potential annual reimbursements. This flat-allowance ICHRA illustration assumes full-year eligibility and use of every allowance. It excludes fees and is not a quote, recommended contribution or affordability determination.

2. Compare employee net costs

Review individual premiums, the employer allowance, provider networks, prescriptions, deductibles and household tax-credit effects. Individual and group networks can differ even with the same insurer.

3. Understand premium tax credits

An affordable ICHRA offer can block Marketplace premium tax credits. An employee offered an unaffordable ICHRA may need to opt out to claim a credit, if otherwise eligible. QSEHRA affects credits differently. Do not assume an employee can combine the full HRA benefit and full subsidy.

4. Plan cash flow and unused allowances

Confirm whether employees pay first, what documentation is needed and how quickly reimbursements occur. Carryover, forfeiture and post-employment rights depend on plan terms; unused allowances are not automatically paid as cash.

Exchange payroll distinction: An eligible HRA can reimburse exchange premiums. The employee's remaining exchange premium cannot be paid through pre-tax Section 125 salary reductions. Confirm the payroll arrangement separately.

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Plan the transition before the announcement.

1. Compare the alternatives

Keep the current group option in the comparison. Check employee locations, dependent needs, renewal timing, potential tax-credit losses and expected administration.

2. Validate the design

Have the administrator confirm employer/employee eligibility, classes, funding, covered expenses, owner treatment, documents and required notices.

3. Prepare employees

Explain the allowance, coverage shopping, tax-credit effects, opt-out rights where applicable, reimbursement process and where to ask questions.

4. Coordinate enrollment dates

An HRA offer can create a special enrollment opportunity, but employees still need to act within the applicable window. Confirm coverage selection, first premium payment and effective dates.

5. Document the handoffs

Assign the administrator, broker, employer and payroll responsibilities. Establish secure channels for employee information and coverage substantiation.

6. Review the first cycle

Check enrollment questions, reimbursement timing and employee costs. Revisit the arrangement before the next plan year.

A notice deadline worth planning around

ICHRA notices are generally due at least 90 days before the plan year, with special timing rules for newly eligible employees and new arrangements. Do not promise a start date before confirming the applicable notice and enrollment timeline.

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Bring these questions to the review.

Company: ___________________________ Renewal / target date: ___________________
Employees / locations: ____
Monthly employer budget: ____

Coverage and employee support

Which doctors, prescriptions and household coverage needs should the comparison consider? How will employees get help choosing coverage and submitting reimbursement information?

Administrator / owner: ____________________ Next action: __________________________
Decision deadline: ________________________ Employee communication date: __________

Benefit Experts can help organize the comparison

Start with your workforce, current coverage and budget. We can discuss group and HRA approaches, employee education and the steps to coordinate with administrators and advisers.

Read the complete HRA strategy guide online

Official resources

HealthCare.gov: ICHRA / CHOICE arrangements
HealthCare.gov: QSEHRA
IRS: HRA final rules and EBHRA requirements
CMS: HRA questions, classes and exchange payroll rules
IRS: premium tax credit questions
Washington Health Benefit Exchange: tax-credit information

Reviewed September 19, 2026. Plan terms, employer status, household circumstances and current law control. This worksheet is a starting point, not a determination of eligibility or affordability.