

Employment Law Update: Health Reimbursement Arrangement

12/20/16

In 2016, the law prevented employers from providing reimbursements to employees who purchase nonemployer related health insurance. However, that is changing for employers with less than 50 full-time employees or the equivalent ("small employer").

The 21st Century Cures Act, which President Barack Obama signed on December 13, 2016, permits health reimbursement arrangements for eligible small employers. Eligible small employers are defined as: (1) not an applicable large employer as defined in section 490H(c)(2); and (2) an employer that does NOT offer a group health plan to any of its employees. Eligible small employers can now reimburse employees who purchase non-employer insurance. While this Act may not affect small employers' plans for 2017, if employees are already enrolled, it does give small employers something to think about thereafter.

Finally, the maximum reimbursement that can be provided from a qualified small employer is \$4,950 for single coverage and \$10,000 for family coverage (adjusted annually for inflation).

The full 21st Century Cures Act can be viewed here.

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