



Small Business Benefits Playbook

What keeps you up at night?

Among other things, the pandemic has shown us that a new model of health insurance that's flexible and predictable for small employers and portable for employees is of utmost importance. The rise of remote workers and part-time workers has also stressed this point, spotlighting HRAs as a benefits solution for today's changing economy.

In a tight job market (and often operating under tight budgets), small employers are up against larger companies with more competitive compensation packages and it's difficult to recruit and retain talent. Thanks to a new benefits model called an HRA, small employers can afford to offer their teams quality health benefits without taking on the risk, the unpredictable cost hikes, and participation woes of small group plans.

Common small business benefits pain points that we hear:

- I want to help my employees but can't afford a group plan
- With a tight job market, I need to offer competitive benefits to attract and maintain top talent
- I want an affordable benefits solution that can grow with my growing company
- My company doesn't have the reserve to take on health care risk anymore.
- We struggle with participation rates on our group plan
- I want to offer my employees health benefits but I don't have the capacity to manage it.
- I don't have any flexibility to change my plan offering. Plus, my employees aren't happy with it.
- My budget continues to go up to cover the costs of renewal increases year after year.
- I want to help all my employees, including part-time staff and remote workers, with healthcare costs but I can't afford a group plan.
- My company is expanding outside one geographical area and our group plan doesn't work for out-of-state.

The new benefits solution for small businesses

Health reimbursement arrangements (HRAs for short) represent a new, more modern way for employers to provide employees with a health insurance benefit. Instead of choosing a one-size-fits-all group plan or leaving employees to shoulder the financial burden of health insurance on their own, employers can now offer employees a tax-free allowance to purchase a plan of their choice.

While HRAs have been around for a while, there are two new kinds that are designed to benefit small employers.

The Qualified Small Employer HRA (QSEHRA) is designed with small businesses with less than 50 employees in mind. It can't be offered alongside a group plan and is subject to annual allowance limits. Employers can vary allowance amounts by family size and age but not by employee class. Employees must have an ACA-compliant health plan to participate. If the QSEHRA is considered affordable, the employee is not eligible for tax credits. If it's considered unaffordable, tax credits are reduced dollar for dollar by the QSEHRA allowance if they choose to participate.

The Individual Coverage Health Reimbursement Arrangement, or ICHRA (pronounced Ik-Ruh), is the newer version of HRA that launched in 2020 for employers of all sizes with no limits on annual allowance. It can be offered alongside a group plan and can be scaled by employee class, meaning different benefits can be offered to different types of employees (like full time or part time, hourly or salary) and can be further streamlined for family size and age. Employees participating in an affordable ICHRA plan aren't eligible for premium tax credits and must be enrolled in a qualified health plan.

Why are HRAs great for small businesses?

For those small employers already offering small group plans, HRAs allow employers to effectively get out of the risk management game. For those new to benefits altogether, it's an affordable way to get started offering quality benefits to your team and it can scale as you grow.

A few other unique small employer benefits include:

- ✓ **Help for small employers and their employees:** Among small employers (under 50 that aren't required to offer coverage), 80% of employers offering ICHRA/QSEHRA are offering benefits for the first time. Meaning, HRAs are expanding the market and expanding coverage.



- ✓ **Flexibility:** HRAs make sense for a diverse workforce; it's hard to find a plan that will work for all types of employees
- ✓ **Cost control:** Group premium prices go up every year, HRA allowances are predictable and set.
- ✓ **No participation rates to worry about**
- ✓ **A boon for recruitment and retention**

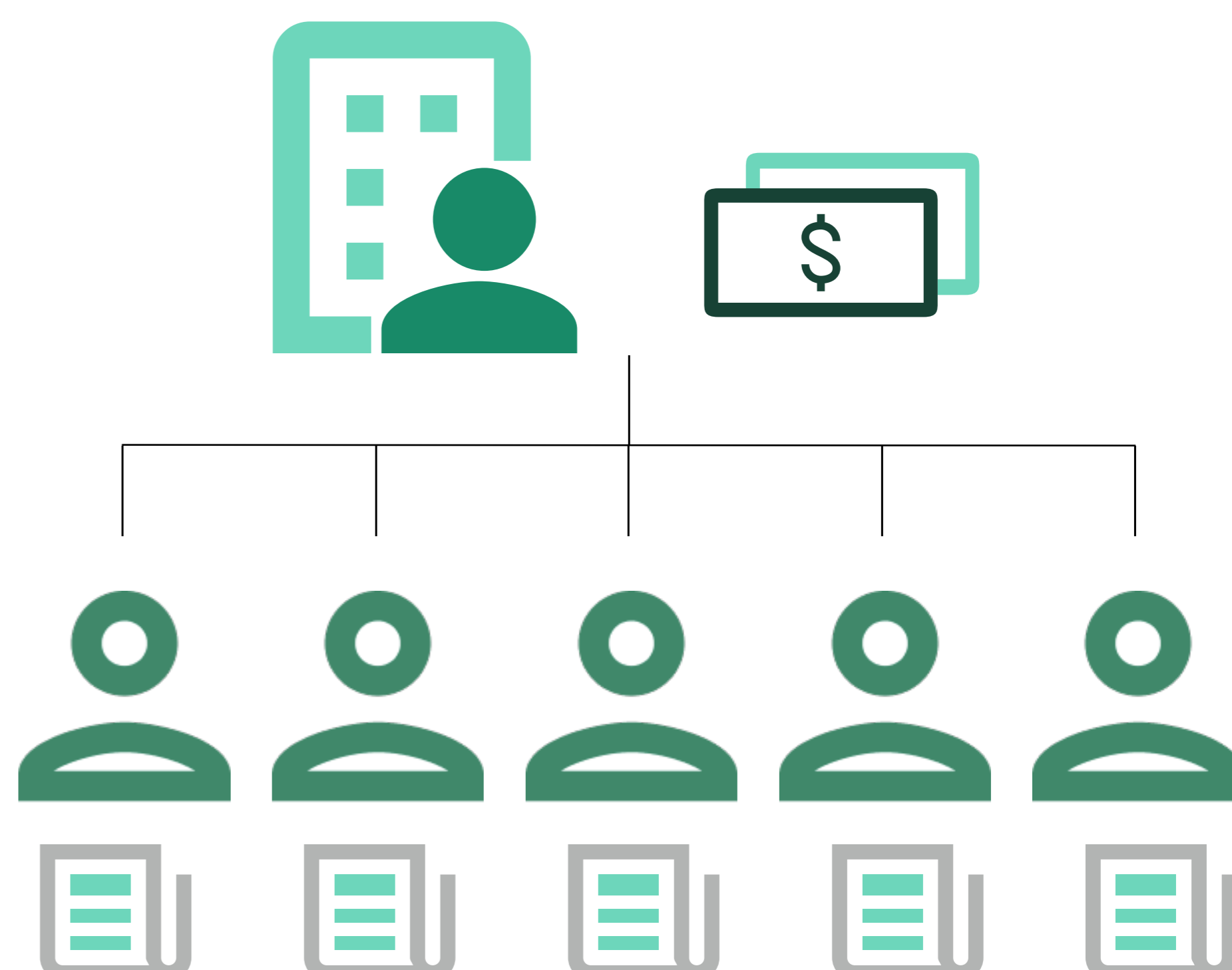
A growing number of geographies have Individual Family Plan rates lower than Small Group, meaning small employers' benefits spend can stretch further with an HRA.

How do HRAs work?

Here's how it works. Business owners determine a set budget for their employees to reimburse for health insurance and workers choose the plan that works best for them. Some employers also reimburse for medical expenses.

Employers then "design" their HRA. They can choose to divide up by class, or scale rates by family size and age (which is the most common). Employees buy their own individual health insurance plan and are reimbursed through their paycheck.

A software and services platform like Take Command handles compliance, reporting, onboarding, and all of the heavy lifting. A dedicated enrollment team helps your employees choose a plan that will work best for their unique health needs, their family, prescriptions and preferred doctors.



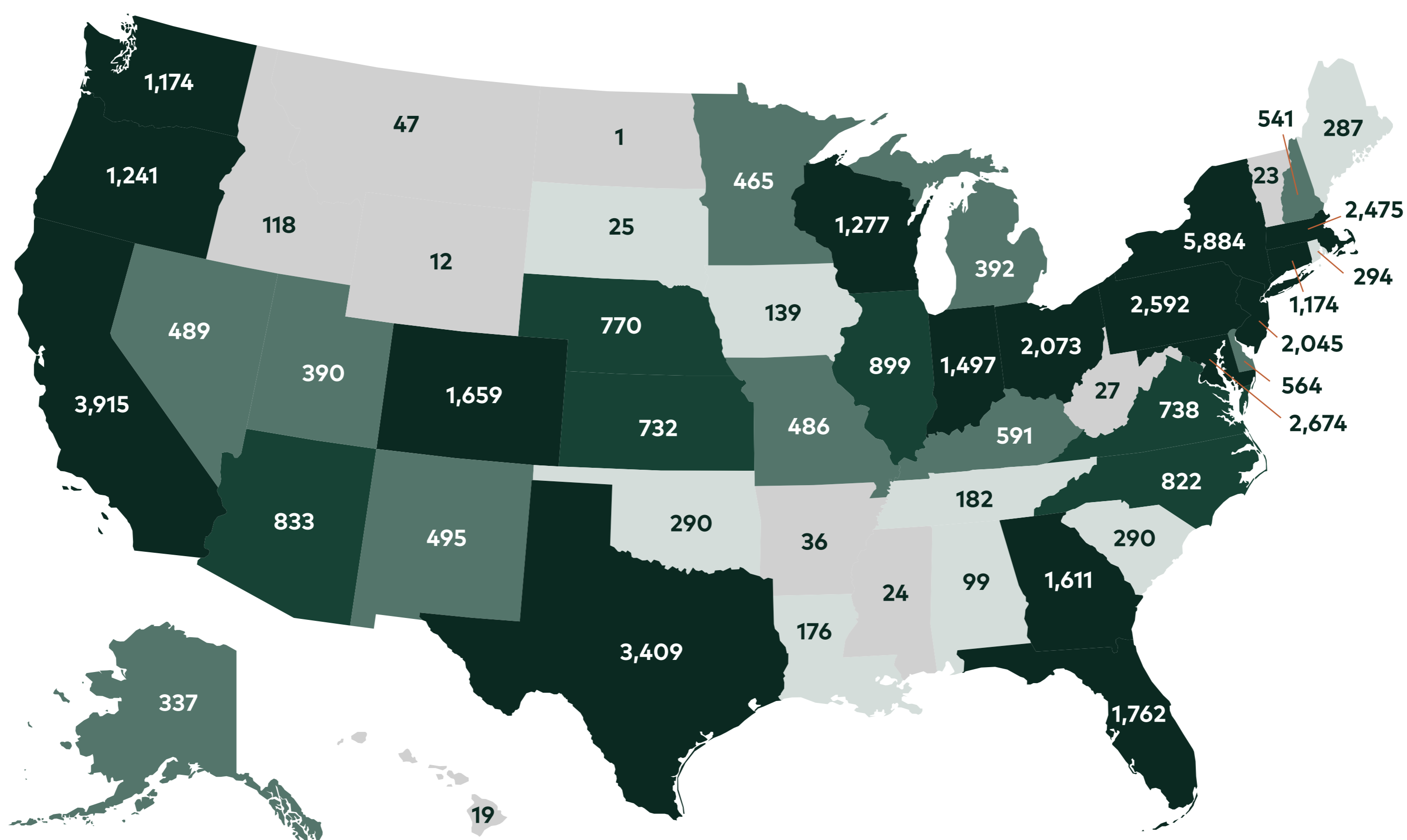
Which HRA is best for my business?

There are some fundamental differences in the way ICHRA and QSEHRA work. While both are options for small business, it's important to note that ICHRA can be offered to different classes of employees and has no employer contribution limits. QSEHRA is only for small employers under 50, it's subject to annual contribution limits, and slightly more flexible with the types of plans that it interacts with (like spouse's health plans).

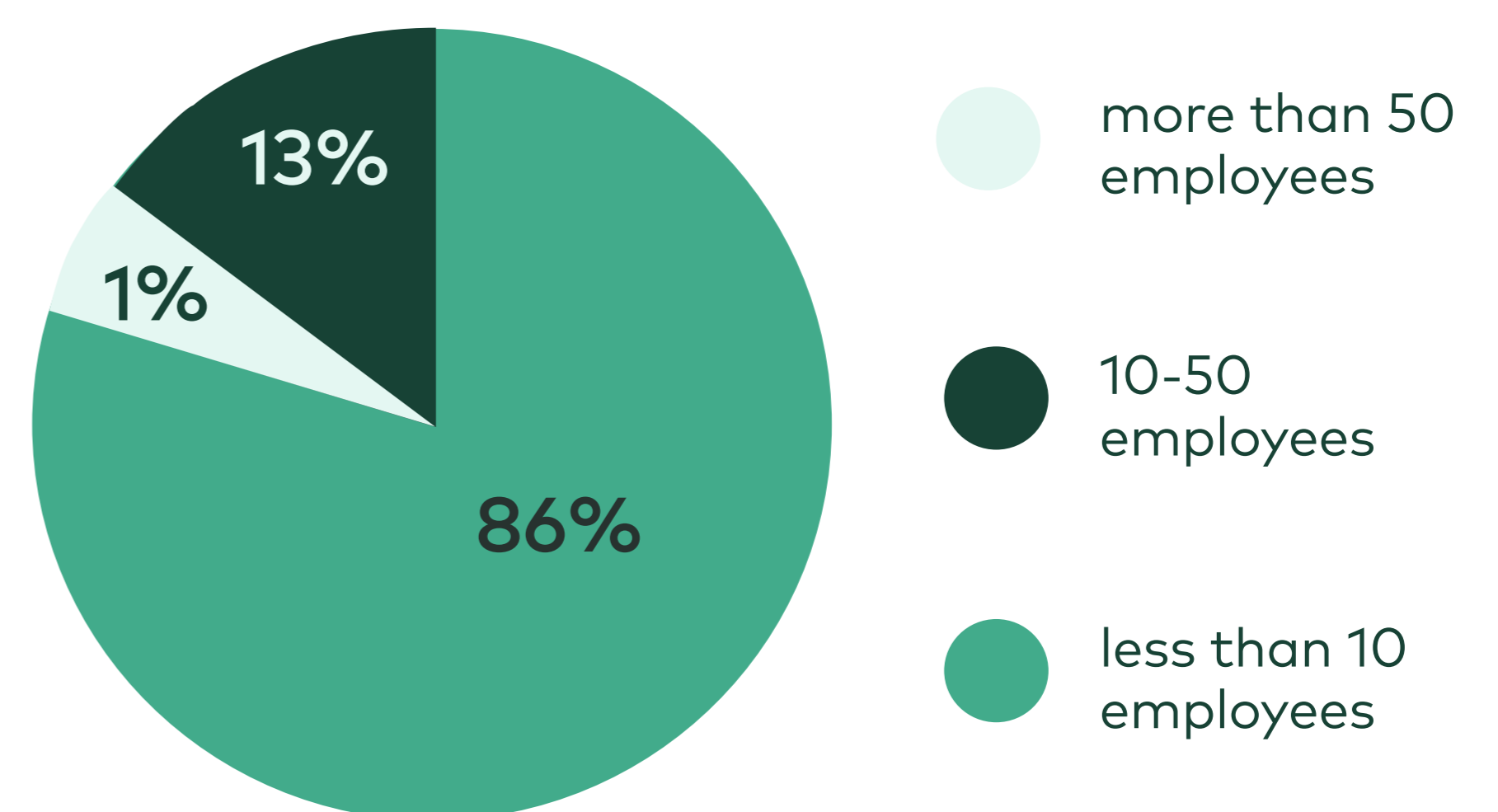
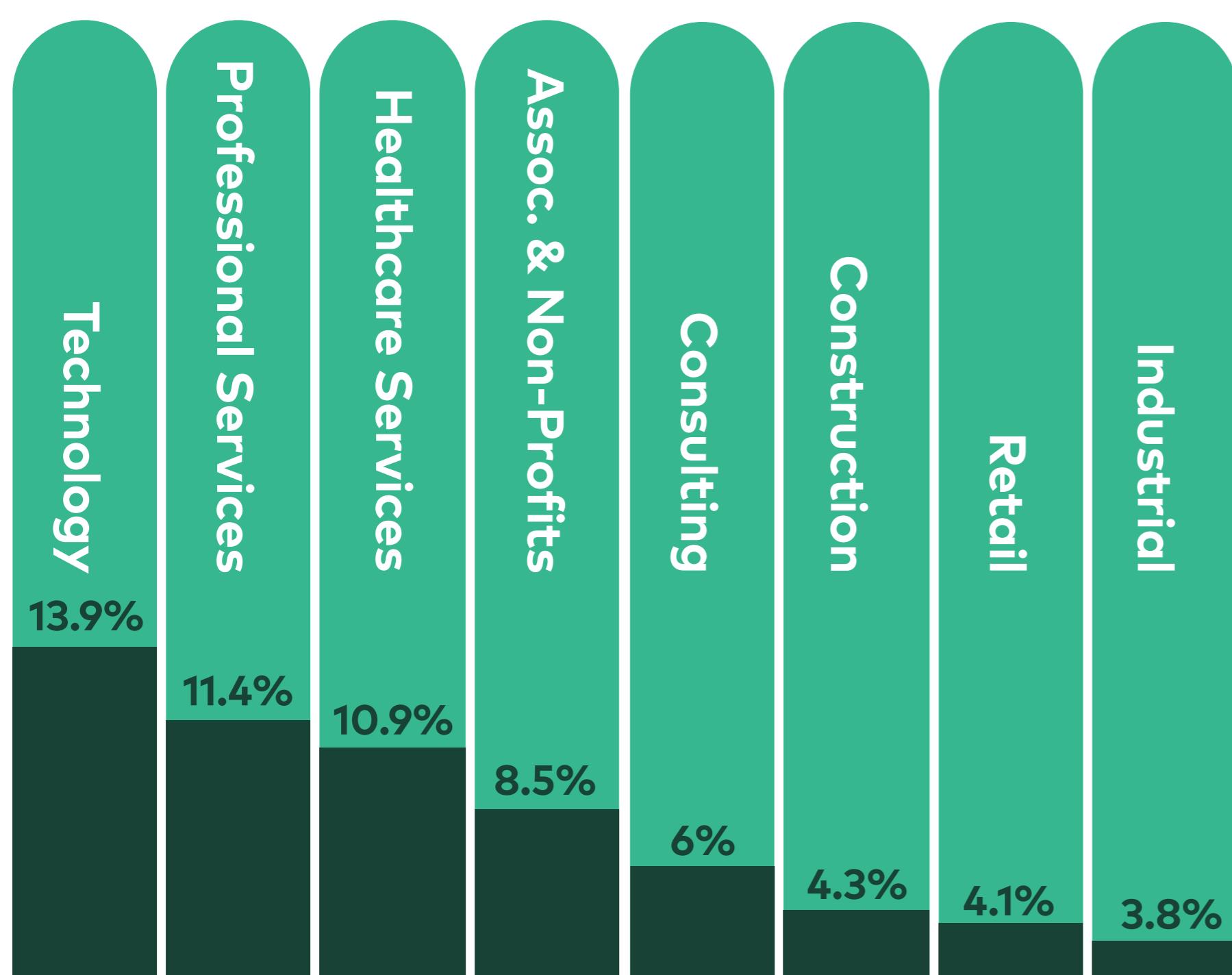
[Schedule a call](#) with one of our HRA designers to see what each could look like and which one would be best for your business.

Who is offering this affordable benefits option?

While HRAs are widespread among industries and types of companies, our data shows a few trends in terms of who is adopting this new benefits trend:



Correlating with a strong individual markets, California, Minnesota, Massachusetts and Colorado are clear front-runners but there are ICHRAs and QSEHRAs in every state.

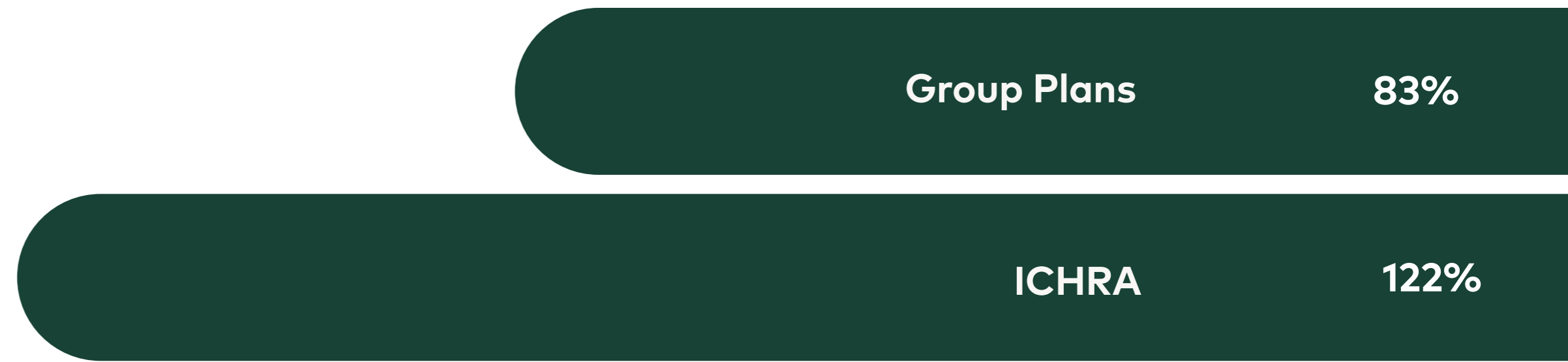


On the small business side, common industries include professional services, non-profits, religious institutions and tech companies.

While we have clients of every shape and size, small businesses represent the vast majority of our business.

How does an HRA benefit employees?

HRAs are great for employees too! For starters, 80% of our clients are new to benefits, meaning their employees are getting help with their health insurance for the first time. If they are coming over from a group plan, many times HRAs cover a higher percentage of their health insurance costs than their previous group costs (our research shows that our clients' HRAs cover 147% of lowest cost bronze plans and 122% of lowest cost silver plans compared to group plans that cover only 83% but sometimes as low as 50%).



Why are HRAs great for small businesses?

Here are a few other reasons why small business employees love HRAs:

Choice:

Instead of choosing from a limited number of options, employees can choose any ACA-compliant plan on the market (about 75% of companies only offer one plan)

Portability:

HRAs like QSEHRA and ICHRA are portable, meaning if an employee loses their job, they don't lose their health insurance

Flexibility:

HRAs work great for employees that are hard to keep on a group plan, like part-time or remote workers

What types of health plans would my employees be able to choose from?

Your employees will be able to choose from any plan listed on your state exchange or [healthcare.gov](https://www.healthcare.gov).

Remember, HRAs integrate with all ACA-compliant plans that include:

- No annual or lifetime limits on the dollar amount for coverage of essential health benefits
- Full coverage of preventative health services to be covered with no shared cost to the insured

HRAs integrate with the following types of health insurance:

- Major Medical health insurance offered on or off the exchange. These are major medical, ACA-compliant plans and are often referred to as metal tiers because their names include bronze, silver, or gold.
- Medicare Part A and B or Part C
- Catastrophic plans which are limited to those under age 30 or who qualify for a hardship exemption
- Student health insurance

Plans that **do not qualify** include Medicaid, TRICARE, short-term plans, indemnity plans, and preventative-only MEC plans. QSEHRA is the only HRA that allows reimbursement for spousal plan premiums, COBRA, and sharing plans (if accompanied by MEC).

How do I get started setting up an HRA?

First, choose your budget. How much do you want to spend per year? Secondly, decide what you want to reimburse.

- Insurance Premiums Only
- Insurance Premiums + Qualified Medical Expenses
- Qualified Medical Expenses Only

Now, let's start designing. How do you want to structure your HRA? Here are a few of our most popular options:

- ✓ **Give all employees the same amount:** This one is easy. For example, you could give all employees \$200/mo.
- ✓ **Vary reimbursements by family size:** Since individual market plans cost more for families, employers can offer more for larger families. For example, an employer could offer \$200 for single employees, \$300 for married employees, and \$600 for employees with families. Or they could offer \$100 for each additional dependent.
- ✓ **Vary reimbursements by employee age:** Similarly, since individual plans typically cost more for older employees, employers can elect to offer higher reimbursement amounts to older employees. Reimbursements must be structured using a 1:3 ratio from the youngest to the oldest employee. We strongly recommend setting it using the age range from 21 to 64. For example, you could give a 21 year old \$100/mo and a 64 year old \$300/mo.
- ✓ **Vary by both family size and age:** Combo of the above options.

If you want to vary reimbursement rates by classes or types of employees, here are the high level guidelines. This is only possible with an ICHRA, not QSEHRA. You can offer different amounts to:

- Full-Time Employees
- Part-Time Employees
- Seasonal Employees
- Employees covered by a collective bargaining agreement
- Employees who have not satisfied a waiting period for coverage
- Salaried Employees
- Non-Salaried Employees
- Temporary employees of staffing firms
- Non-Resident aliens with no US-based income
- Employees in the same geographic rating area
- Any combination of two or more classes from above

Is an HRA right for my small business?

To evaluate whether an HRA might be a good fit for your small business, chat with us on our website or schedule a call with one of our HRA design consultants. We're here to help!

Get in touch

Our team is standing by to answer any questions you might have and find the perfect solution for you and your business.

[Schedule a Call](#)

[Contact Us](#)