

# NFIB UPDATE

## Small Business Reset & Recovery: Series #1

with Beth Milito and Holly Wade, NFIB



September 8, 2021

**Special Guests – Brian Blase, Blase Policy Strategies**

**Topic – Health Reimbursement Arrangements**



# DISCLAIMER

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- This is based on information available by 09/08/21.

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## Upcoming Webinars

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**NEXT** Wednesday, September 22 @ 12pm EST

Join Beth, Holly, and special guest **Kristi Stone, with Stone & Company, CPAs** for a Q&A session on the **Employee Retention Credit (ERC and ERTC)**.

*\*\*Don't miss out on the reimbursable credit worth potentially \$33,000 per employee (retroactive to March 2020 and available with PPP)!! \*\**

## Upcoming Webinars

**DON'T MISS IT!**

### **NFIB's Small Business Reset & Recovery Webinar Series, First Wednesdays 12 PM EDT FALL 2021**

Series 2 – **Wednesday, October 6:** Cliff Ennico, Esq.  
***Getting What You are Owed – Collections 101***

Series 3 – **Wednesday, November 3:** Marty Abo, CPA  
***Why Every Small Business Owner Needs an Exit Strategy  
Now – Why and How to Create One***

Series 4 – **Wednesday, December 1:** Donna Botti  
***Digital Marketing Boot Camp for Small Business***

# COVID-19 Resources

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- Paycheck Protection Program (forgiveness)
  - Economic Injury Disaster Loan - ***still open!***
  - Employee Retention Credit - ***still open!***
  - Shuttered Venue Grant – ***still open!***
  - NFIB Coronavirus Resources (including past webinars)

# Agenda



- Health Reimbursement Arrangements
- Q&A
- Send questions to [info@nfib.org](mailto:info@nfib.org)

# Economic Injury Disaster Loan

## PURPOSE

To meet financial obligations and operating expenses that could have been met had the disaster not occurred.

## LOAN AMOUNT

For loans approved starting the week of April 6, 2021: 24-months of economic injury with a maximum loan amount of \$500,000. For loans approved prior to the week of April 6, 2021, see loan increases.

## TERMS

30-year loan, no penalties for early payments  
3.75% for businesses (fixed), 2.75% for nonprofits (fixed)

## LOAN DEFERMENT

SBA is extending deferment periods for all disaster loans, including COVID-19 EIDLs, until 2022 to offer more time for businesses to build back. SBA will extend the first payment due date for disaster loans made in **2020 to 24-months** from the date of the note and to **18-months** from the date of the note for all loans made in the calendar year 2021.

## USE OF PROCEEDS

Working capital and normal operating expenses (health insurance, rent, utilities, fixed debt payments).  
\* can't use funds for business expansion purposes

**APPLY for EIDL [HERE](#) (directly through the SBA)**





## **Integrating Health Savings Accounts with New Health Reimbursement Arrangements**

*Maximizing Employee Health Care Control  
and Minimizing Employer Burden*

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By Brian Blase, Ph.D.

# HRA Council

## Who we are

The HRA Council is a non-profit, non-partisan advocacy organization comprised of HRA administrators and practitioners working together to create a vibrant HRA market by easing employers' ability to offer HRAs and employees' ability to use an HRA to enroll in coverage.

While these new HRAs, like the Individual Coverage HRA (ICHRA) and the Qualified Small Employer HRA (QSEHRA) are relatively new, being on the ground level has afforded us unique insights and a good indication of what's working and what needs to be changed in order to fulfill their initial goal of creating an improved way for hundreds of thousands of employers and millions of workers to get health insurance coverage.

## Our mission

To promote education and awareness around the new models of health reimbursement arrangements and build upon them to improve the stability and affordability of individual health coverage.

*The new Individual Coverage HRA substantially expands employers' ability to offer health coverage to their workers, increases workers' choice of coverage, and has reduced the number of people without health insurance.*



# The Individual Coverage HRA

- A new way for employers to provide their employees with health coverage
- The 401k of Health Insurance
- Builds on Qualified Small Employer HRAs
  - Fewer than 50 workers
  - Contribution limits (\$5,300/\$10,700)
  - All full-time employees are eligible. No classes.

# The Individual Coverage HRA

- Employers, under certain conditions, may reimburse premiums for individual market coverage and Medicare
- Employer contributions are not subject to federal income or payroll tax
- Employees may pay residual premiums on a tax-preferred basis by using a salary reduction arrangement under a Section 125 cafeteria plan
- Must be provided on the same terms within an employee class although contributions can be higher for older workers and those with bigger families
- Individual market plans are guarantee issue and premiums can only vary based on age and smoking status

# Permissible Classes of Employees

- Full-time employees
- Part-time employees
- Seasonal employees
- Employees covered by a Collective Bargaining Agreement
- Employees who have not satisfied a waiting period
- Nonresident aliens with no US based income
- Employees working in the same rating area
- Salaried employees
- Hourly employees
- Temporary employees of a staffing firm

# Employer Decisions about ICHRAs

- Which employees to cover?
- How much to reimburse?
- What expenses to reimburse (just premiums or other expenses)?
- Whether to use waiting periods?
- When the coverage will start?
- Whether to reimburse family coverage?
- Whether to provide greater contributions to older workers?
- Whether to provide greater contributions to larger families?
- Is an ICHRA or QSEHRA a better option?

**Main thing:** Which vendor to choose?

# ICHRA Advantages to Employers

## 1) Employer control and flexibility

- Actual budget for its employees' health coverage
- Greater predictability about cost growth and ability to plan

## 2) Less administrative hassle

- No picking a plan, generally a single plan that is supposed to work for everyone
- No minimum contributions or participation requirements

## 3) Potential Cost Savings

- Individual market premiums more favorable in many locations than small group premiums

## 4) Recruitment Tool

- Flexible health coverage that many employees will value

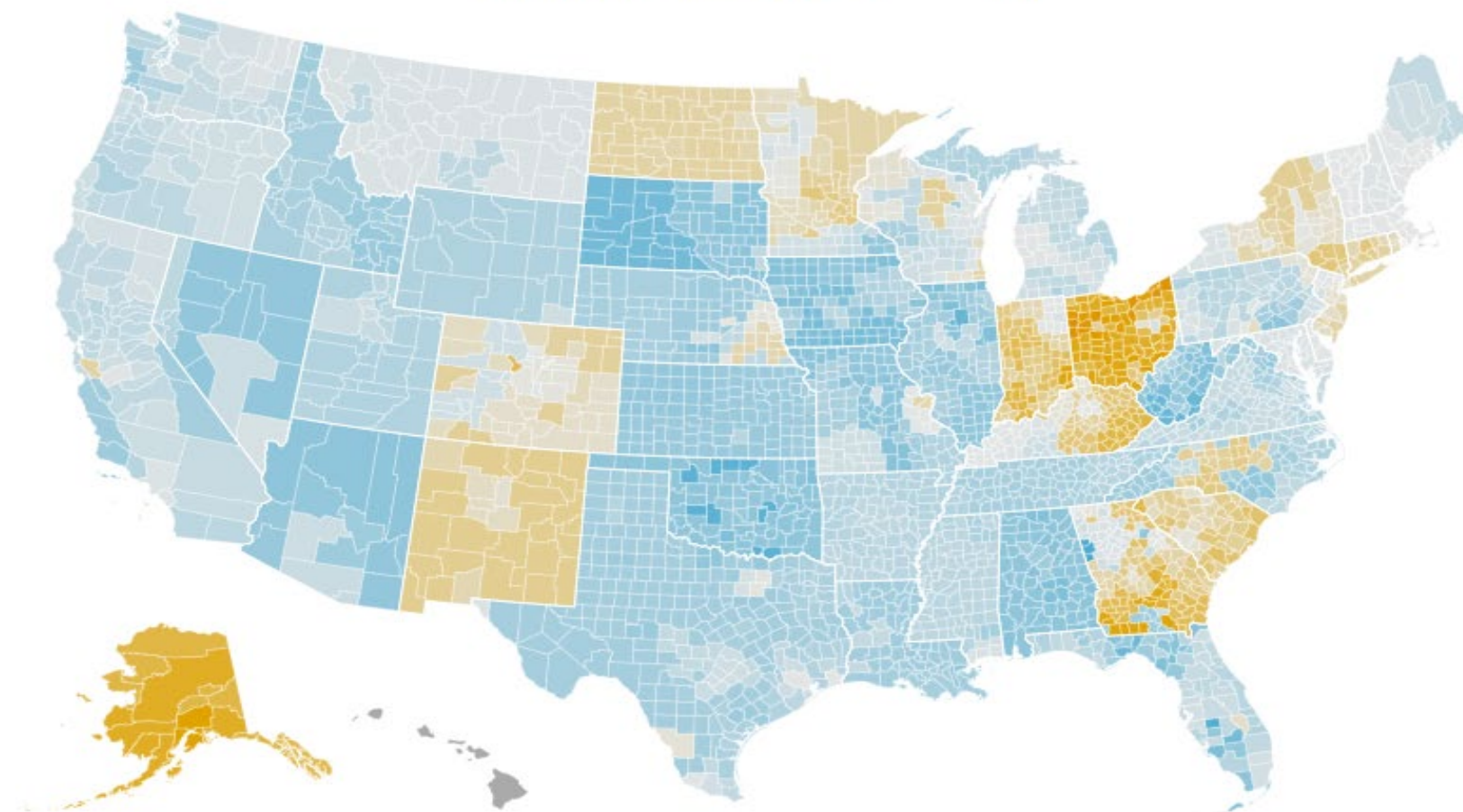
## Difference Between the Lowest Cost Bronze Plans on the Individual and Small Group ACA Markets by County, 2020:

Monthly Premium for a 50-Year-Old



50-Year-Old

Bronze



*Individual  
More Expensive*

\$900

\$300

*Small Group  
More Expensive*

Note: Includes all individual ACA-compliant plans sold on or off the state and federal exchanges.  
For the purposes of this map, plans and premiums are assumed to be available in a county if they are offered in any part of the county

Map was updated on 12/18/2019 for the 2020 plan year. Map for the 2019 plan year can be found [here](#).



**Table I: Employer Offering of Coverage and Employees Enrolled in that Coverage, 2010 & 2020**

<b>Firm size</b>	<b>Offered – 2010</b>	<b>Offered – 2020</b>	<b>Enrolled – 2010</b>	<b>Enrolled – 2020</b>
3-9	59%	48%	44%	34%
10-24	76%	59%		
25-49	92%	70%	59%	41%
50-199	95%	92%	60%	58%

The enrollment figures reported by Kaiser were not separated for firms with fewer than 24 employees. Source: “2020 Employer Health Benefits Survey 2020: Section 2: Health Benefits Offer Rates,” Kaiser Family Foundation, October 7, Figure 2.2, <https://www.kff.org/report-section/ehbs-2020-section-2-health-benefits-offer-rates/> “2020 Employer Health Benefits Survey, Section 3: Employee Coverage, Eligibility, and Participation,” Kaiser Family Foundation, October 7, 2020, Figure 3.11, <https://www.kff.org/report-section/ehbs-2020-section-3-employee-coverage-eligibility-and-participation/>

# Benefits of the ICHRA

- Voluntary so adoption will boost overall well-being of employees at firms that adopt them
- Expand worker choice of coverage
  - Firms < 200 employees that offered coverage, 75% offered one plan
  - Firms > 200 employees that offered coverage, 42% offered one plan
- Consumers value more choices of coverage. One economic study found that multiple options were as valuable to the median consumer as a 13% premium reduction.

# ICHRA Prediction

- According to economic modeling in 2019, the Department of the Treasury projects that by 2025, 800,000 employers will offer ICHRAs and more than 11 million people.
- About one million would otherwise be uninsured.
- Nearly 90% of the companies offering the ICHRA will have fewer than 20 workers.

# HSA-Compatible ICHRA

- Financing arrangement that puts the most control in the hands of individuals over their health coverage and care.
- A person can use the ICHRA to purchase an HSA-qualified plan.
- Employers are permitted to contribute to a worker's HSA if the worker uses the ICHRA to purchase an HSA-qualified plan.

# What's Best for Employer?

## A Premium-Only ICHRA

- The least-costly type of ICHRA to administer
- Minimizes administrative burdens since every reimbursement from an HRA must be verified as an eligible expense.
- Some purchases can be automatically verified when people use their HRA card, but sometimes people need to provide an itemized receipt or other supporting documentation to comply with IRS rules for reimbursement.

# Premium-only ICHRA—minimal administrative expense

- Only two types of required verifications
  - 1) One-time proof that the participant has enrolled or will enroll in coverage
  - 2) Monthly verification that the individual remains enrolled in coverage each time the premiums are reimbursed.
- Employer’s compliance responsibility is much greater if an HSA-compatible ICHRA reimburses for expenses in addition to individual market premiums.
- From the final HRA rule: “If a plan sponsor chooses to offer an HSA-compatible individual coverage HRA that reimburses medical care expenses after the minimum deductible under Code section 223(c)(2)(A)(i) is satisfied, it is the employer's responsibility to track medical care expenses incurred during the year and ensure that the individual coverage HRA does not reimburse medical care expenses (other than premiums or expenses allowed as limited purpose) incurred prior to the satisfaction of the minimum deductible.”

# Some numbers

- The average monthly premium available to a 40-year old for the lowest-cost bronze plans in 2020 equaled \$331. This is nearly a \$4,000 annual premium.
- For employers able to provide an average employee health benefit of \$6,000 for a 40-year-old employee, an ideal offering could be a \$4,000 ICHRA coupled with a \$2,000 contribution to the employee's HSA (roughly \$330 a month in the ICHRA and \$170 a month into the worker's HSA).
- If the plan is lower cost, then more can be provided in the HSA.
- If the plan is higher cost, then more can be provided in the ICHRA.

# What's Best for Employee?

## A Premium-Only ICHRA

- Most employees can purchase an individual market premium for little, if any, premium.
- If employees purchase an off-exchange plan, they can use a Section 125 cafeteria plan to exclude their premium share from federal taxation.
- Employees would benefit from HSAs and its tax advantages.



## Average Allowances for ICHRAs and QSEHRAs in 2021

	Single	Single w/ Dependents	Married	Married w/ Dependents
ICHRA	\$1,073	\$1,192	\$1,238	\$1,393
QSEHRA	\$307	\$428	\$441	\$453

## ICHRA allowance

	Single	Single w/ Dependents	Married	Married w/ Dependents
Premium-only	\$700	\$804	\$790	\$898
Premium-plus	\$1,353	\$1,485	\$1,576	\$1,766

National averages: Premium-only: \$800 & Premium-plus: \$1,545

## Premium-only vs. premium-plus ICHRAs

	Premium- only	Premium- plus
All employers	42%	58%
Large employers	72%	28%

## Use of classes

- 72% use just a single class

# Concluding Remarks

- ICHRAs are bipartisan and likely enduring
- ICHRAs face initial challenges
  - Lack of knowledge among employers and brokers
  - Lack of incentives for brokers and agents to provide ICHRA information
  - Individual market is not an attractive place for employees to receive coverage in many parts of the country
- These challenges will likely be mitigated over time.