

## **Setting Up a QSEHRA Plan (Qualified Small Employer Health Reimbursement Arrangement)**

A QSEHRA allows small businesses to reimburse employees for medical expenses, including health insurance premiums, on a tax-free basis. Here's how to establish one.

### **Step 1: Determine Eligibility**

1. Confirm Small Business Status:

- ✓ Ensure your business has fewer than 50 full-time equivalent employees.
- ✓ Verify that you do not offer a group health plan to any employees.

### **Step 2: Establish Plan Requirements**

1. Define Contribution Limits: Adhere to the IRS's annual maximum reimbursement limits. For 2025, these are:

- \$6,350 for self-only coverage (approximately \$529 per month).
- \$12,800 for family coverage (approximately \$1,067 per month).

2. Determine Employee Eligibility:

- Offer the QSEHRA to all full-time employees on the same terms.
- You may exclude certain employee categories, such as part-time or seasonal workers, if specified in the plan.

3. Set Reimbursement Rules:

- Reimburse only for eligible medical expenses as defined by the IRS. This includes doctor visits, copays, individual insurance premiums, prescription glasses, prescriptions, and even LASIK eye surgery – see [IRS Publication 502](#).
- Establish clear procedures for submitting claims and processing reimbursements.

### **Step 3: Create a QSEHRA Plan Document**

1. Draft the Plan Document: Include details such as:

- Eligibility criteria.
- Reimbursement limits and eligible expenses.
- Claim submission and reimbursement procedures.
- Compliance with applicable federal regulations.

2. Seek Professional Assistance (Optional): Consult with a benefits professional or attorney to ensure the plan complies with all legal requirements.

3. These online sites offer help for a fee:

- [Core Documents](#)
- [PeopleKeep](#)
- [Take Command](#)

**Step 4: Communicate the Plan to Employees**

1. Provide Written Notice. Inform employees about:
  - The amount available for reimbursement.
  - The requirement to maintain minimum essential coverage (MEC) to receive tax-free reimbursements.
  - How the QSEHRA might affect eligibility for premium tax credits.
2. Distribute Notices Timely: Provide the notice at least 90 days before the start of the plan year or as soon as an employee becomes eligible.

**Step 5: Administer the QSEHRA Plan**

1. Set Up Reimbursement Processes:
  - Implement a system for employees to submit claims and receive reimbursements.
  - Maintain records of all reimbursements for compliance and reporting purposes.
2. Ensure Compliance:
  - Report the total amount of QSEHRA benefits available to each employee on their W-2 forms.
  - Ensure all health information is handled in compliance with HIPAA regulations.
3. Coordinate with Payroll: Ensure that reimbursements are processed correctly and that all necessary tax reporting is completed.

**Step 6: Monitor and Adjust Annually**

1. Review IRS Updates. Stay informed about any changes to QSEHRA contribution limits or related regulations.
2. Evaluate Plan Effectiveness. Gather feedback from employees and assess the plan's effectiveness in meeting their needs.
3. Update Documentation. Make necessary adjustments to the plan document and employee communications based on any changes.

By following these steps, you can establish a QSEHRA that aligns with your business goals and supports your employees' healthcare needs.

*Disclaimer: Tzinberg & Associates provides this communication for general guidance only. It does not constitute tax advice, accounting services, investment advice, or professional consulting. Consult a professional adviser before making decisions or acting, as the information is provided "as is" without any warranties regarding its completeness, accuracy, or timeliness.*