

# Health Insurance Options

## Options for Contributing to Your Employee's Health Insurance

While household employers are not required to provide health insurance, contributing toward the cost of health insurance premiums may be a way to enhance an employee's compensation package without increasing your or your employee's tax liability. Below are the contribution options. The first option is only available to household employers with only one employee.

### **EMPLOYERS WITH ONE EMPLOYEE:**

#### **Individual Health Insurance Policy Contribution**

Household employers with 1 employee can contribute to their employee's individual health insurance policy premiums and treat the entire amount as non-taxable compensation. We recommend that families pay the insurance company directly. This will eliminate any possibility of the money being used for other purposes and will make life much easier in the event of an audit. If that's not possible, we recommend getting copies of the monthly health insurance invoices.

### **EMPLOYERS WITH TWO OR MORE EMPLOYEES:**

#### **Option 1: Qualified Small Employer Health Insurance Reimbursement Arrangement (QSEHRA)**

Household employers can offer a QSEHRA to contribute to their employee's health insurance premiums and qualified health expenses tax free. The arrangement must be offered to all eligible employees of similar status and employees must have an insurance policy that meets the minimum essential coverage requirements. A Special Enrollment Period (SEP) provides employees with 60 days to setup a qualified plan.

The annual contribution limit for 2022 is \$5,450 per employee, and employees must provide receipts upon reimbursement. With this option, employees are eligible to take advantage of part or all of the premium tax credit (PTC) when filing their W-2 at the end of the year. The offered QSEHRA contribution amount, which must be reported on the employee's W2, reduces the employee's PTC.

#### **Option 2: Individual Coverage Health Reimbursement Arrangement (ICHRA)**

Effective in 2020, household employers may also reimburse employees through an ICHRA. Employees must be enrolled in a qualified individual health plan to use this option. A Special Enrollment Period (SEP) provides employees with 60 days to setup a qualified plan.

Employer reimbursements can cover the employee's health insurance premiums and qualified health expenses. This arrangement does not have a cap or contribution limit.

The arrangement must be offered to all eligible employees, but amounts offered can vary based on employee class. Employees must be given the option to opt-out of this chosen coverage at minimum annually. Employees that receive ICHRA contributions are not eligible to take advantage of the Premium Tax Credit (PTC).

\*Our trusted partner, Take Command Health, can help you set up a QSEHRA or ICHRA – [click here](#) to learn more.

#### **Option 3: Small Business Health Options Program (SHOP)**

Household employers still have the option of setting up a group policy, but this option is less popular due to the additional administrative responsibilities. For more information on setting up a group SHOP policy, please [click here](#).