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# Newsletter

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## EMPLOYER REIMBURSEMENT PLANS

On July 1, 2015 the transition relief for employers expired in regards to employer reimbursement plans for individual health coverage.

### 1) What is an Employer Reimbursement Plan (Employer Health Care Arrangement)?

1A) An employer payment plan refers to a health plan under which an employer reimburses an employee for some or all of the premium expenses incurred **for an individual health insurance policy or directly pays a premium for an individual health insurance policy covering the employee.**

### 2) What are the consequences to the employer if the employer does not establish a group health insurance plan for its own employees, but reimburses those employees for premiums they pay for individual health insurance (either through a qualified health plan in the Marketplace or outside the Marketplace)?

2A) Consequently, such an arrangement fails to satisfy the market reforms and may be subject to a \$100/day excise tax per applicable employee (which is \$36,500 per year, per employee).

### 3) If I have a Employer Reimbursement Plan for employees with individual health coverage in which the employer pays directly for their premiums, what can I do to correct it?

3A) if the employer wishes to facilitate the employee's purchase of insurance, the employer should either:

1. Establish a group plan that satisfies the market reform requirements, or
2. Simply pay the employee additional compensation without any requirement that the amount be used for individual insurance premiums. The employee must be free to do with the extra compensation whatever they choose.