

SMALL BUSINESS HEALTH INSURANCE OVERVIEW

*This **informational document** summarizes various options for small businesses in Vermont to offer health insurance to their employees (Vermont defines a small business as having 100 or fewer [Full-Time Equivalent \(FTEs\)](#). Carefully consider and choose a path that best meets the business’s and its employees’ needs. It is essential to consult with an insurance broker, tax specialist, legal specialist, or benefits specialist before relying solely on the information herein.*

**THIS IS NOT AN OFFICIAL POLICY DOCUMENT. INFORMATION WITHIN IS SUBJECT TO CHANGE.
 CONSULT A TAX OR LEGAL SPECIALIST FOR FURTHER GUIDANCE.**

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Small Group Health Insurance Plan

Small group health insurance plans may be purchased directly through the insurance company. The only companies that offer small group medical plans in Vermont are Blue Cross and Blue Shield of Vermont, and MVP Health Care®. Plan design options are the same as seen on the individual market, but gross premiums are determined separately and are frequently lower. Additionally, group health insurance provides the employer with various options. Businesses may choose:

- to offer all plans available from the insurance company to their employees or just a few;
- if the plan is available, offer it to the employee only, or coverage may be offered to the employee and dependents; or
- if they offer an employer contribution, the amount of that contribution, and if it’s for the employee only or the employee and their dependents.

When a small business offers their employees qualified health plans this way, employees generally do not have the opportunity to receive additional state and federal financial help as they would if they were not offered employer-sponsored insurance (ESI). If the ESI is [deemed unaffordable](#), the employee can enroll through Vermont Health Connect and may be eligible for subsidies.

Contact the insurance company directly to find out about group insurance plans and rates:

- [Blue Cross and Blue Shield of Vermont](#): 1-800-255-4550
- [MVP Health Care®](#): 1-844-865-0250

***Please note:** In Vermont, a small business is defined as having 100 or fewer [Full-Time Equivalents \(FTEs\)](#). But federally, a small business is defined as having 50 or fewer employees. If you have over 50 employees and your ESI is considered unaffordable, your business may be subject to [IRS employer shared responsibility provisions](#). Contact a tax consultant for more information.*

Tax Credits

Some small businesses that purchase a small group health insurance plan may be eligible for a *small business federal tax credit*.

A business may receive the tax credit for up to two years. If your business has not yet claimed the tax credit for two years, we would be happy to assist you. Complete and submit the Eligibility Application found here: [Small Business Tax Credit | Vermont Health Connect](#)

Please review the following web pages to learn more about Small Business Tax Credits and who can get them.

1. [Small Business Tax Credit | Vermont Health Connect](#)
2. IRS FAQ on [Who Gets the Tax Credit](#)

Individual Plans Through Vermont Health Connect

Individuals and families who purchase their health insurance plans through Vermont Health Connect can choose from a variety of plans from different insurance carriers. They may be eligible for tax credits - called Advanced Premium Tax Credits (APTC) - or other [financial help](#) to help reduce the cost of coverage.

The 2021 American Rescue Plan Act, followed by the 2022 Inflation Reduction Act, make health insurance more affordable for many Vermonters by providing enhanced financial assistance

through Vermont Health Connect through plan year 2025. [Learn more about financial assistance](#)

Individuals are encouraged to use the [Plan Comparison Tool](#) to estimate potential financial assistance.

If an employer chooses not to provide health insurance to their employees, they may still be able to contribute through a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) or an Individual Coverage Health Reimbursement Arrangement (ICHRA). Employees offered either type of HRA are permitted to enroll through VHC. However, should they do so, it is important to understand HRA rules to know how they apply to each insurance plan and how it affects APTC eligibility.

Health Reimbursement Arrangements

A Health Reimbursement Arrangement (HRA) is an employer-funded account that reimburses employees for qualified medical expenses. Employers can set up HRAs to reimburse employees for health insurance premiums or out-of-pocket medical expenses. There are different types of HRAs, including Qualified Small Employer Health Reimbursement Arrangements (QSEHRAs) and Individual Coverage HRAs (ICHRAs).

HRAs are generally administered by an insurance or payroll company. Contact them directly to explore any HRA offerings they may have. Vermont Health Connect does not administer HRAs. Contact a legal or tax professional when deciding if HRAs are right for your business.

Qualified Small Employer Health Reimbursement Arrangement (QSEHRA):

A QSEHRA allows small group employers to provide non-taxed reimbursement of certain health care expenses, like health insurance premiums and coinsurance, to employees who maintain [minimum essential coverage](#). In many states, QSEHRAs allow small employers to provide their employees with additional plan choices without managing group health plan coverage. The employer sets aside a specific amount of money each year for each employee, and the employee can use those funds to pay for their healthcare expenses.

A QSEHRA is a flexible option for small businesses as they can customize the amount of reimbursement they offer. Moreover, the reimbursement amount is tax-deductible for the employer and tax-free for the employee.

However, there are specific rules and regulations to follow for a QSEHRA, such as the maximum amount of reimbursement and employee eligibility requirements. Small businesses may want to consult with a benefits specialist or tax professional to ensure they comply with all the requirements.

If offered a QSEHRA, the employee may accept APTC through Vermont Health Connect if otherwise eligible, but they must reduce the APTC selection amount by the amount of the QSEHRA allowance.

- For example, if the customer is eligible for \$500/month in APTC and gets \$200 in QSEHRA each month, they should select up to \$300 in APTC. **Otherwise, they may owe money back at tax time.**

Individual Coverage Health Reimbursement Arrangement (ICHRA)

Individual Coverage Health Reimbursement Arrangements (ICHRA) are a type of Health Reimbursement Arrangement (HRA) that allows employers to reimburse their employees for individual health insurance premiums and qualified medical expenses on a tax-free basis.

ICHRA are designed to help employers offer health benefits to their employees while giving them the flexibility to choose their own health insurance plan that meets their unique needs. Below is an example of how an ICHRA could work:

1. The employer establishes an ICHRA plan and determines how much it will contribute to employees' health care expenses.
2. Employees purchase their own individual health insurance plan that meets the minimum essential coverage requirements under the Affordable Care Act (ACA). All plans offered through Vermont Health Connect meet minimum essential coverage requirements. Employees must provide proof of coverage to the employer.
3. Employees incur eligible health care expenses, such as premiums for their individual health insurance plan, or out-of-pocket costs like deductibles, copayments, and coinsurance.
4. Employees submit claims for reimbursement to the employer, along with proof of the expense.
5. The employer reviews the claims and reimburses employees up to the maximum amount allowed under the ICHRA plan. Contact a tax advisor to determine how reimbursements may affect taxes for the small business and its employees.

ICHRA can be customized to meet the employer's and its employees' unique needs. Employers can set different contribution amounts for different classes of employees, such as full-time and

part-time employees or employees in different geographic locations. Employees can also choose their own individual health insurance plan that meets their specific needs and preferences.

Employers who offer employees an ICHRA must provide them with a physical notice explaining the terms. The employee will need that notice, and their annual household income amount, [to determine if the ICHRA is affordable](#).

- If coverage is determined to be affordable, the employee is not eligible for Advanced Premium Tax Credits. Employees must **decline** any offered APTC when purchasing health insurance through VHC. If they accept APTC, **they will owe money back** at tax time.
- If it is unaffordable, the employee may be eligible for APTC. However, they must decline the ICHRA to receive it.

In other words, the employee cannot receive both the ICHRA from their employer and Advanced Premium Tax Credit through Vermont Health Connect. Again, **if the employee accepts the ICHRA and receives APTC, they will owe money back** at tax time.

Regardless of whether the ICHRA is affordable, the employee would still enroll with VHC. It is just a matter of if they can accept APTC or not.

Health Savings Accounts

A Health Savings Account (HSA) is a type of savings account that allows an employee to set aside money on a pre-tax basis to pay for qualified medical expenses. By using untaxed dollars in an HSA to pay for deductibles, copayments, coinsurance, and other expenses, a person may be able to lower their overall healthcare costs. HSA funds generally may not be used to pay premiums. Employers can offer HSAs as part of a benefits package and may also contribute to their employees' accounts.

There are many rules, regulations, and ways to offer HSAs to employees. To learn more, visit: [Health Savings Account \(HSA\) - Glossary | HealthCare.gov](#)

External Resources

Click the following links to learn more:

- [Overview](#)
- [Small Group Health Insurance Plans](#)
- [Individual plans through Vermont Health Connect](#)
- [Health Reimbursement Arrangement \(HRA\)](#)
 - [Individual Coverage Health Reimbursement Arrangement \(ICHRA\)](#)
 - [Qualified Small Employer Health Reimbursement Arrangement \(QSEHRA\)](#)
- [Deciding between group coverage and an HRA?](#)
- [Health Savings Accounts \(HSA\)](#)