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wondering, "Do employers have to offer health insurance?" Although the Affordable Care Act (ACA) requires employers with 50 or more full-time equivalent employees to ...

Rachel Blakely-Gray • Dec. 10, 2019



Navigating through the waters of health insurance coverage is tricky. You might be wondering, “*Do employers have to offer health insurance?*” Although the Affordable Care Act (ACA) requires employers with 50 or more full-time equivalent employees to provide health insurance, no employer has to offer excepted benefits.

But, many employers do offer excepted benefits. And, the Departments of Labor, Health and Human Services, and Treasury are releasing a new Excepted Benefits HRA in 2020.

What does this all mean? Should you jump on board and offer excepted benefits to

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- Ambulatory patient services
- Emergency services
- Hospitalization
- Pregnancy, maternity, and newborn care
- Mental health and substance use disorder services
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive and wellness services
- Pediatric services, including oral and vision care for children

As you can see in the above list, there are a few benefits not included (e.g., vision coverage for adults). There are four categories of excepted benefits, according to the [Department of Labor](#):

1. Non-health coverage
2. Limited health benefits
3. Specific disease or illness coverage
4. Supplemental health benefits

## **Non-health coverage**

The first category of excepted benefits under ACA include benefits that are not considered health care coverage. These benefits are add-ons to regular health insurance coverage. Typically, these benefits pay out wage replacement and may incidentally cover medical care coverage after an accident or extended illness or injury. However, they do not cover general health care costs for employees who get sick.

Examples of coverage included under this category of excepted benefits include:

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These benefits are not required under the ACA and include:

- Dental coverage
- Vision coverage
- Long-term care benefits (e.g., nursing home)

## **Specific disease or illness coverage**

The third category of excepted benefits covers types of benefits that are specific to a certain type of illness or disease. This type of coverage has no coordination with benefits under a group health plan.

Examples of this category of excepted benefits include:

- Coverage for a specific disease or illness (e.g., cancer insurance)
- Hospital indemnity (insurance that pays the holder if they are hospitalized)

## **Supplemental health benefits**

The last type of excepted benefits category includes separate insurance policies that are supplemental to Medicare or Armed Forces health care coverage. In rare circumstances, this category may also include separate insurance policies that are supplemental to a group health plan.

## **Excepted Benefit HRA**

Starting in January 2020, employers can choose to offer employees an Excepted Benefit HRA. If you offer it, your employees must enroll during open enrollment. An Excepted Benefit HRA is one of two new types of HRAs rolling out in 2020, with the other being the Individual Coverage HRA (ICHRA).

Whereas the ICHRA is an alternative to traditional group-term health insurance, the Excepted Benefit HRA is something employers can offer in conjunction with

traditional health insurance.

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Excepted benefit HRAs cover things not included in a traditional health insurance plan, including:

- Dental coverage
- Vision coverage
- Short-term, limited-duration insurance (STLDI)
- Copays, deductibles, and other expenses not covered by a primary health insurance plan

## Contribution limit

Employers contribute to an Excepted Benefit HRA. But, you can only contribute up to a certain amount for each employee. For 2020, the annual contribution limit for an Excepted Benefit HRA is \$1,800.

## Excepted Benefit HRA vs. regular HRA

So, what's the difference between an Excepted Benefit and HRA that reimburses excepted benefits? Unlike regular HRAs, Excepted Benefit HRAs can reimburse employees for medical care expenses that are not considered excepted benefits. You can learn more about the Excepted Benefit HRA on the [IRS's website](https://www.irs.gov/pub/irs-utl/health_reimbursement_arrangements_faqs.pdf) (PDF) [https://www.irs.gov/pub/irs-utl/health\\_reimbursement\\_arrangements\\_faqs.pdf](https://www.irs.gov/pub/irs-utl/health_reimbursement_arrangements_faqs.pdf).

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Rachel Blakely-Gray is a writer for [Patriot Software](#), a provider of payroll and benefits services. This article first appeared on the Patriot Software blog.

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