Application Spotlight: Employer-Sponsored Coverage (ESC), Individual Coverage Health Reimbursement Arrangements (ICHRA), and Qualified Small Employer Health Reimbursement Arrangements (QSEHRA)

May 2021

The information provided in this document is intended only to be a general informal summary of technical legal standards. It is not intended to take the place of the statutes, regulations, or formal policy guidance that it is based upon. This document summarizes current policy and operations as of the date it was presented. The contents of this document do not have the force and effect of law and are not meant to bind the public in any way, unless specifically incorporated into a contract. This document is intended only to provide clarity to the public regarding existing requirements under the law. We encourage readers to refer to the applicable statutes, regulations, and other interpretive materials for complete and current information. This communication was produced and disseminated at U.S. taxpayer expense.
Agenda

- Individual Coverage Health Reimbursement Arrangements (ICHRA) and Qualified Small Employer Health Reimbursement Arrangements (QSEHRA)
  - Affordability
  - Health Reimbursement Arrangements (HRAs)
  - Special Enrollment Periods (SEP)
- Assisting consumers who have an offer of traditional employer-sponsored coverage (ESC)
  - Minimum value standard
  - The Employer Coverage Tool
  - Affordability
  - ESC questions on the Marketplace application
  - Loss of ESC
- Consolidation Omnibus Budget Reconciliation Act (COBRA) continuation coverage
- COBRA continuation and retiree coverage questions on the Marketplace application
- Resources
Please be advised that the information in this presentation is informal technical assistance for assisters and is not intended as official CMS guidance or a statement of the law. Legal requirements are contained in the applicable statutes and regulations.

This presentation highlights how assisters can help consumers enrolling in coverage offered through the Health Insurance Marketplace® answer questions regarding ESC, ICHRAs, and QSEHRAs and provide guidance for consumers who have COBRA continuation coverage.

*When used in this document, the term “Health Insurance Marketplace®” or “Marketplace” refers to Federally-facilitated Marketplaces (FFMs), including FFMs where states perform plan management functions and State-based Marketplaces on the Federal Platform (SBM- FPs).

Health Insurance Marketplace® is a registered service mark of the U.S. Department of Health & Human Services (HHS).
Brainstorming Question #1

1. How often do you assist consumers with an offer of Employer Sponsored Coverage (ESC)?

2. What is your comfort level with this topic?
   A. Inexperienced
   B. Somewhat experienced
   C. Very experienced
Health Care Benefits Through a Job

- A Health Reimbursement Arrangement (HRA) is available through a job but isn’t traditional health coverage.

- An HRA is a group health plan funded solely by employer contributions that reimburses an employee’s medical care expenses up to a maximum dollar amount for a coverage period.

- An Individual Coverage HRA (ICHRA) or Qualified Small Employer HRA (QSEHRA) might make payments directly to an issuer to cover premium payments for individual market coverage, or an individual might need to make payments and then request reimbursement.
Types of Health Reimbursement Arrangements (HRAs)

- An ICHRA is a type of health reimbursement arrangement that reimburses medical expenses and requires eligible employees and any covered dependents to have individual health insurance coverage or Medicare Parts A and B or Part C for each month they are covered by the ICHRA.

- Small employers who choose not to offer their employees group health plan coverage can instead choose to reimburse a portion of their employees’ medical care costs through a QSEHRA.

- A QSEHRA is generally not considered a group health plan and is not considered an offer of ESC.
Individual Coverage HRAs (ICHRAs)

- An employer can offer an ICHRA instead of other job-based insurance.
- An employee who is offered an ICHRA will generally get a written notice from their employer at least 90 days before the beginning of the ICHRA’s plan year.
- This notice must include contact information (including a phone number) for an individual or a group of individuals who participants may contact in order to receive additional information regarding the ICHRA.
- Employees and dependents with an ICHRA offer may qualify for the premium tax credit (PTC) only if the employer’s offer doesn’t meet minimum standards of affordability and the employee and dependents opt out of the ICHRA.
ICHRAs (Cont.)

- Employees can use the tool at HealthCare.gov/job-based-help/# to help them estimate ICHRA affordability before they submit an application on HealthCare.gov. They can also refer to the worksheet PDF at HealthCare.gov/downloads/ICHRA-worksheet.pdf.

  - In this case, since neither Marcus nor Tia received an offer of an ICHRA from their employer, they would select **None of these people**.
How Does an ICHRA Affect Eligibility for PTC?

- Employees and dependents with an ICHRA offer may qualify for PTC only if the employer’s offer doesn’t meet minimum standards for affordability and the employee and dependents opt out of ICHRA coverage.

- Individuals who are offered an ICHRA through their job or through someone else’s job will be asked to provide information about the ICHRA when they apply for Marketplace coverage. Information such as the HRA amount and the start and end dates can be found in the ICHRA notice provided by the employer.
What Makes an ICHRA Affordable?

For 2021, an ICHRA is considered affordable for an employee (and dependents, if applicable) if the monthly premium of the self-only lowest-cost Silver plan in the employee’s area minus the monthly amount made available just to the employee (sometimes called the “self-only” amount) under the ICHRA does not exceed 9.83 percent of 1/12 of the employee’s household income.

For more information, go to HealthCare.gov/job-based-help/#/ichra and HealthCare.gov/job-based-help/#/.
Assisting Consumers who are Provided a Qualified Small Employer HRA (QSEHRA)

- Small employers that choose not to offer their employees group health plan coverage can instead choose to reimburse a portion of their employees’ medical care costs through a QSEHRA. In order for a QSEHRA to reimburse their costs, employees must be enrolled in health coverage that is considered minimum essential coverage (MEC).

- A QSEHRA is generally not considered a group health plan and is not considered an offer of ESC.

- Employees can use this money to help pay the cost of their medical expenses, including some or all of their individual Marketplace premium payments.
How Does a QSEHRA Impact Eligibility for a PTC?

- If an employer provides money to a consumer through a QSEHRA, their eligibility for a PTC can be affected; the impact depends on the amount of money the employer provides.

- If the QSEHRA makes Marketplace coverage *affordable* for a consumer, they would not be eligible for a PTC.

- If the QSEHRA itself does not make Marketplace coverage *affordable* for the consumer, they may still be eligible for a smaller PTC. The consumer should reduce the amount of PTC used each month by the monthly amount of the QSEHRA. Consumers can use the [worksheet](https://HealthCare.gov/downloads/qsehra-worksheet.pdf) on HealthCare.gov to determine how much advance premium tax credit (APTC) they should take:

Life Events and Coverage Changes

- There are certain qualifying life events that may qualify consumers for an SEP.


- Employees and household members newly offered an ICHRA or newly provided a QSEHRA (such as new employees) may qualify for an SEP to enroll in or change individual health insurance coverage.
Life Events and Coverage Changes (Cont.)

- If employees and household members are newly offered an ICHRA or newly provided a QSEHRA mid-plan year, typically they’ll need to enroll in coverage within the 60-day period before or after the first date the new ICHRA or QSEHRA may take effect.

- After the HRA questions, the application will have questions about other types of qualifying health coverage.
Indicate Whether Anyone is Offered or Provided an HRA

Marcus will be asked if he, his wife Tia, both of them, or neither of them is offered an ICHRA or provided a QSEHRA.
When assisting consumers who have an offer of traditional ESC and are applying for Marketplace coverage and insurance affordability programs, you should remind them to use the [Employer Coverage Tool](https://HealthCare.gov/have-job-based-coverage/) to gather information regarding their offer of ESC that they’ll need to include in their HealthCare.gov application to evaluate that offer.

More detailed information is available at [HealthCare.gov/have-job-based-coverage/](https://HealthCare.gov/have-job-based-coverage/).

A consumer’s offer of ESC may impact their eligibility for APTC, cost-sharing reductions (CSRs), and this financial assistance for any family members who are also offered this coverage.
Assisting Consumers Who Have an Offer of Traditional ESC (Cont.)

- Consumers with an offer of affordable ESC that meets the minimum value standard are not eligible for APTCs or CSRs, the financial assistance available through the Marketplace.

- If the offer of ESC is either unaffordable or does not meet the minimum value standard, the consumer may be eligible for financial assistance through the Marketplace if the consumer is not enrolled in the ESC.

- If the traditional ESC is unaffordable, the consumer must decline this offer of ESC in order to receive a PTC and CSRs.

- Assisters should help consumers include information in their HealthCare.gov application that will identify whether their offer of ESC:
  - Meets the minimum value standard, and
  - Is affordable.
Minimum Value Standard

- A health plan meets the minimum value standard if it is designed to pay at least 60 percent of the total costs of medical services.
  - Benefits must include substantial coverage of physician and inpatient hospital services.
  - This percentage is based on actuarial principles using benefits provided to a standard population and is not based on what consumers actually pay for cost sharing.

- Consumers can ask their employer for help determining if the ESC meets the minimum value standard by:
  - Obtaining a copy of a plan’s Summary of Benefits and Coverage (SBC).
1. Do consumers experience challenges completing the Employer Coverage Tool? Yes/No

2. What tips do you have for other assisters for using the Employer Coverage Tool?
The Employer Coverage Tool

- Consumers can use the Employer Coverage Tool to obtain information about whether the employer offer plans that meet the minimum value standard and the amount of the lowest-cost premium for the employee only for such plans.

- If a consumer is eligible for health coverage through someone else’s employer, such as their spouse, they should answer the question about how much the coverage would cost by providing the amount the employee would pay for the lowest-cost self-only coverage available to the employee.
Affordability

Affordability is calculated by comparing the employee’s share of the annual premium for the lowest-cost *self-only coverage that meets the minimum value standard* to the employee’s annual household income.

- The plan used to define affordability is the lowest-priced self-only plan that meets the minimum value standard that the employer offers, meaning a plan covering only the employee, not dependents. This is true even if a consumer is enrolled, or plans to enroll, in a plan that costs more or covers dependents.

- The cost is the portion of the premium paid by the employee, not the plan’s total premium.

- The employee’s total household income is used. Total household income includes income from the employee, the employee’s spouse if they’ll file their tax return jointly, and any dependents who are required to file a tax return.

- For plans beginning in **2021** to be considered affordable, the employee’s share of the annual premium for the lowest-cost self-only coverage must not be more than **9.83 percent** of annual household income.
The consumer will be asked if they’ll be offered health coverage from an employer.

In this example, Marcus will select his name and proceed through the application.

Tia isn’t offered coverage through her job or through Marcus’ job, so Marcus won’t select her name.

If consumers could have enrolled in health coverage through their employer for 2021 but didn’t, and the enrollment period for the ESC is closed, they will still need to select their name beneath the question shown on this screen.
Additional questions in this section of the application collect information about the coverage the consumer is eligible for in order to determine if the coverage disqualifies the consumer from eligibility for a PTC.

These questions include:

- Which employer offers ESC.
- Whether the plan offered provides minimum value.
- The premium from the lowest-cost self-only plan that meets the minimum value standard available to the employee.
- Information about the employer.
The names of all employers added to the application when the household members entered their income information will automatically populate on this page.

In this case, Marcus is able to select that either his employer, Tia’s employer, both of their employers, or another employer will offer Marcus health coverage.
Marcus will be asked if his employer is offering a health plan that meets the minimum value standard.

Next, Marcus will enter the lowest amount he would have to pay for a plan that meets the minimum value standard if he was the only one enrolled in this coverage, regardless of whether his wife, Tia, is also able to receive this coverage.
Enter Employer Information

Marcus will enter the contact information of the person at his job who manages employee benefits.
Indicate Whether Anyone Recently Lost Coverage

Marcus will be asked if he, his wife Tia, both of them, or neither of them recently lost qualifying health coverage.
Indicate Whether Anyone Will Lose Coverage

Marcus will be asked if he, his wife Tia, both of them, or neither of them expect to lose qualifying health coverage.
A consumer may qualify for an SEP if they or anyone in their household lost qualifying health coverage in the past 60 days OR expects to lose coverage in the next 60 days. Qualifying health coverage is any health insurance that meets the Patient Protection and Affordable Care Act requirement for coverage. For more information on what counts as qualifying health coverage, visit HealthCare.gov/fees/plans-that-count-as-coverage/.

Consumers should report changes to the Marketplace as soon as possible.

When a consumer loses ESC, they may be offered COBRA continuation coverage by their former employer.

Consumers may also have access to retiree coverage that provides health and/or drug coverage to former employees or members and, in some cases, their families.
Knowledge Check #1

When a family has an offer of ESC but wants to apply for Marketplace coverage with financial assistance, the Marketplace calculates their ESC’s affordability based on the lowest-cost family coverage available to the employee and their dependents.

True or False
Knowledge Check #1 Answer

When a family has an offer of ESC but wants to apply for Marketplace coverage with financial assistance, the Marketplace calculates their ESC’s affordability based on the lowest-cost family coverage available to the employee and their dependents.

**True or False**

Affordability for ESC is determined using the lowest-cost premium for self-only coverage. The cost for a family to enroll is not considered, even if the employee is seeking coverage for more than just themselves.
When a consumer leaves a job, federal law provides that they may be able to keep ESC for a period of time, usually up to 18 months. This is called COBRA continuation coverage. Consumers who elect COBRA may be required to pay 100 percent of the premiums, including the share the employer used to pay, plus a small administrative fee.

Under the American Rescue Plan (ARP), individuals who are eligible for COBRA because of their own or a family member’s reduction in hours or an involuntary termination from employment and who elect COBRA may be eligible for a full premium subsidy that covers the entire cost of COBRA continuation coverage.

- This premium subsidy is available from April 1, 2021, until September 30, 2021.
Consumers who were offered COBRA continuation coverage and declined to elect COBRA at that time or elected COBRA and later discontinued it may have another opportunity to elect COBRA and get the full premium subsidy, if they are still within the period of time that they could have had COBRA coverage (generally 18 month from the employee’s reduction in hours or involuntary termination).

- Individuals eligible for the extended COBRA coverage election period will receive a notice within 60 days of April 1, 2021 – that is, no later than May 31, 2021.
- The notice will provide additional details about the premium assistance and how to request it.
Can you change from COBRA continuation coverage to a Marketplace plan?

<table>
<thead>
<tr>
<th>If your COBRA is running out</th>
<th>If you’re ending COBRA early</th>
<th>If your COBRA costs change because your former employer stops contributing and you must pay full cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>During Open Enrollment</td>
<td>Yes, you can change.</td>
<td>Yes, you can change.</td>
</tr>
<tr>
<td>Outside Open Enrollment</td>
<td>Yes, you can change – you qualify for an SEP.</td>
<td>No, you can’t change until the next Open Enrollment Period (OEP), your COBRA runs out, or you qualify for an SEP another way.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes, you can change – you qualify for an SEP.</td>
</tr>
</tbody>
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PTC and CSR Eligibility with COBRA or Retiree Coverage

- A consumer who will stay enrolled in COBRA continuation coverage or retiree coverage after their Marketplace plan starts is not eligible for a PTC or CSRs through the Marketplace.

- However, if they drop their COBRA or retiree coverage, they can be eligible for a PTC or CSRs, if otherwise eligible.

- A consumer who has an offer of COBRA continuation or retiree coverage but has not enrolled in that coverage may still be eligible for a PTC or CSRs through the Marketplace.

- The availability of COBRA and retiree coverage does not prevent a former employee from qualifying for a PTC or CSRs.
The minimum value and affordability standards do not apply to former employees enrolled in COBRA continuation or retiree coverage. Former employees who have been offered COBRA continuation or retiree coverage remain eligible to receive a PTC and CSRs as long as they opt out of that coverage, and former employees enrolled in COBRA continuation or retiree coverage cannot claim a PTC or CSRs.

The Marketplace application skips questions related to affordability and minimum value if a consumer attests to being enrolled in COBRA continuation or retiree coverage.

*Note: The application screens on the following slides precede the questions about ESC in the online Marketplace application.
Indicate COBRA Enrollment

Marcus must indicate both:

- That he is enrolled in COBRA continuation coverage that he does not plan to end once he enrolls in Marketplace coverage; and
- Through which employer he has COBRA continuation coverage.
Indicate Retiree Coverage Enrollment

Marcus must indicate both:

- That he is enrolled in retiree coverage;
- Through which employer he has retiree coverage.
Enrollment Periods and SEPs

- During the annual OEP or during an SEP for which they are eligible, a consumer can end COBRA continuation coverage and enroll in a Marketplace plan, if otherwise qualified. In most cases, outside of the OEP, the consumer cannot voluntarily end COBRA to qualify for an SEP and enroll in a Marketplace plan.

- CMS will extend access to a 30-day SEP on HealthCare.gov until August 15, 2021. The SEP is currently available to consumers in the 36 states that use the HealthCare.gov platform.

- However, keep in mind that if a consumer loses job-based coverage and is still within 60 days of losing this coverage, they can still use their loss of qualifying coverage SEP to enroll in Marketplace coverage, and they may also qualify for a PTC if they decline an offer of or end enrollment in COBRA.

- Also, consumers with COBRA can qualify for an SEP if their former employer(s) stops contributing to COBRA premiums, and the consumer therefore must pay the full costs of the coverage.
Affordability and Eligibility for PTC

Policy:

- For plan year 2021, ESC is considered affordable for the employee and any tax household members to whom the offer of ESC extends if the employee’s share of the premium is less than **9.83 percent** of the employee’s household income in 2021, regardless of the cost to cover family members.

- If the lowest-cost **self-only** coverage through an employee’s job is affordable and meets minimum value, the employee is not eligible for a PTC for help paying their Marketplace plan premiums.

- The ARP makes PTCs available to consumers with household income above 400 percent FPL and caps how much of a family’s household income the family will pay towards the premiums for a benchmark plan at 8.5 percent.

- Applicability date: April 1, 2021, through December 31, 2022.
Points to Consider

- Inform consumers that if they are already receiving APTC, they may be eligible for more APTC and that they should return to the Marketplace to update their application and re-enroll in their health plan or select a different plan during an applicable SEP to get the added benefits.

- Let consumers who have household incomes above 400 percent of the FPL know that they may be newly eligible for APTC because of ARP.

- Tell consumers that they can update their application and enrollment in order to get new eligibility results.

- Remind consumers that if they do not opt for APTC or the Marketplace determines they were not eligible for APTC at the time of enrollment, they may still be eligible for a PTC when they file their federal income tax return for the year.

- Direct consumers to visit this website for more information: HealthCare.gov/more-savings/.

- For more information, visit Marketplace.cms.gov/technical-assistance-resources/american-rescue-plan.pdf.
Points to Consider (Cont.)

- Help eligible consumers understand the notices that they receive related to the COBRA premium subsidy.

- Let eligible consumers know that if they would like to stay on COBRA or newly elect COBRA, their COBRA premium may be subsidized at 100 percent from April 1, 2021, through September 30, 2021.

- Remind eligible consumers that they’ll no longer be eligible, and must notify their plans if they become eligible, for coverage under another group health plan* or if they become eligible for Medicare. Failure to do so can result in a tax penalty.

- Remind consumers who elect COBRA that they can switch to a Marketplace plan during a Marketplace OEP or can end their COBRA coverage early and switch to a Marketplace plan if they have another SEP qualifying event such as marriage or birth of a child.

- CMS has developed a tool that is now available on HealthCare.gov to assist consumers in calculating their annual household income. Due to the COVID-19 pandemic, many people have seen their household income change, are receiving new sources of income such as unemployment, or are uncertain of future income. The income calculator tool will help consumers calculate their income, which the consumer can then report on their Marketplace application: HealthCare.gov/income-calculator/.

*Not including excepted benefits, a QSEHRA, or a Flexible Spending Arrangement (FSA).
Brainstorming Question #3

1. What is a key takeaway that you learned from this presentation?

2. What would you like more information about?
Resources

- What Assisters Need to Know About the American Rescue Plan Act of 2021
- HealthCare.gov: New, lower costs on Marketplace coverage
- CMS Fact Sheet: CMS.gov/newsroom/fact-sheets/extended-access-opportunity-enroll-more-affordable-coverage-through-healthcaregov
- ESC: HealthCare.gov/have-job-based-coverage/options/
- COBRA continuation coverage: HealthCare.gov/unemployed/cobra-coverage/
- Retiree coverage: HealthCare.gov/retirees/
- Common Complex Scenarios: Consumers who Receive an Offer of ESC (slides)
- Understanding COBRA (slides)
- HealthCare.gov/job-based-help/#/ichra


How to report change to the Marketplace: [HealthCare.gov/reporting-changes/how-to-report-changes/](https://HealthCare.gov/reporting-changes/how-to-report-changes/)


HealthCare.gov Income Calculator Tool: [HealthCare.gov/income-calculator/](https://HealthCare.gov/income-calculator/)
