HRA GEEKS

The Small Employer HRA Readiness Checklist

A plain-English guide to help you think through whether reimbursing employees for individual health insurance may be a practical alternative to traditional group coverage.

What this is

A practical checklist for small employers who want to offer meaningful health benefits without getting buried in insurance jargon.

What this is not

This is not a plan document, compliance opinion, legal advice, tax advice, or insurance recommendation. Use it as a starting point before you choose a path.

Prepared for small business owners, office managers, founders, and advisors who are exploring HRA options.

1. Start with the problem you are trying to solve

An HRA may be worth exploring when the current health benefit path is not working, or when traditional group coverage is not realistic for the business.

- [ ] Traditional group health insurance has become too expensive.
- [ ] You have priced group coverage, but the premiums do not fit the budget.
- [ ] Your employees have different coverage needs, family situations, doctors, or locations.
- [ ] You want to offer a health benefit, but you are not ready to manage a traditional group plan.
- [ ] You have employees in more than one city or state.
- [ ] You want better control over the monthly benefits budget.
- [ ] You currently offer no formal health benefit and want to explore options.
- [ ] You want a more structured alternative to informal, taxable reimbursements or ad hoc bonuses.
- [ ] You want employees to have more choice in the individual insurance market.
- [ ] You want to understand what may work before committing to a plan design.

Plain-English takeaway

If several of these boxes apply, an HRA may be worth discussing. That does not mean it is automatically the right fit. It means the idea deserves a closer look before you renew, cancel, or start a health benefit.

What is the real issue you are trying to solve? Cost, complexity, employee choice, retention, or something else?

2. Know the two common HRA paths

Small employers often hear about ICHRA and QSEHRA. They are not the same. The right conversation depends on your business size, current benefits, employee classes, budget, and administration needs.

ICHRA

An Individual Coverage HRA can allow an employer to reimburse eligible employees for qualified medical expenses, including individual coverage premiums, when employees have qualifying individual coverage or Medicare. HealthCare.gov states that employers of any size can generally offer an ICHRA if they have at least one employee who is not a self-employed owner or the spouse of a self-employed owner.

QSEHRA

A Qualified Small Employer HRA is generally for employers with fewer than 50 employees that do not offer a group health plan. HealthCare.gov lists 2026 annual QSEHRA limits of $6,450 for individuals and $13,100 for households.

Use this quick fit check to decide which path may be worth asking about first.

ICHRA may be worth discussing if:

- [ ] You want flexibility in how you structure benefits for different permitted employee classes.
- [ ] You may have full-time, part-time, seasonal, salaried, hourly, or location-based employee groups.
- [ ] You want employees to buy their own individual health insurance coverage.
- [ ] You want a defined monthly contribution rather than traditional group plan premium renewals.
- [ ] You want to understand how affordability and Marketplace premium tax credits may be affected.

QSEHRA may be worth discussing if:

- [ ] You generally have fewer than 50 full-time equivalent employees.
- [ ] You do not currently offer a group health plan.
- [ ] You want a small-employer benefit that can reimburse qualifying premiums and medical expenses.
- [ ] You want a simpler health benefit conversation, while still using a formal arrangement.
- [ ] You are comfortable working within annual reimbursement limits.

3. Set a budget before you design the benefit

One of the main reasons employers look at HRAs is budget control. Before choosing a structure, decide what the business can afford and what level of help would feel meaningful to employees.

- [ ] You know roughly how much the business can afford per month.
- [ ] You have considered whether the contribution should vary by employee type, family status, age, or another allowed structure.
- [ ] You want to compare an HRA budget against group coverage quotes.
- [ ] You want to avoid committing to a benefit that is not sustainable next year.
- [ ] You have thought about whether you want to reimburse premiums only, or premiums plus other eligible expenses.
- [ ] You understand that a reimbursement arrangement is different from simply increasing taxable wages.
- [ ] You are willing to model several reimbursement amounts before making a decision.

Budget question	Your starting number
Monthly amount the business can afford per eligible employee	$ _____
Estimated number of eligible employees	_____
Estimated maximum monthly employer exposure	$ _____
Target start date	_____

Helpful reminder

The best budget is not always the highest budget. The best budget is one the business can sustain, explain clearly, and administer correctly.

4. Gather the basic employee information

You do not need private medical details to begin. You do need a clear employee census and enough information to understand eligibility, locations, and the likely employee experience.

- [ ] You know how many full-time employees you have.
- [ ] You know how many part-time, seasonal, or variable-hour employees you have.
- [ ] You know which employees are in which states or rating areas.
- [ ] You know whether some employees already have individual coverage, Medicare, or coverage through a spouse or parent.
- [ ] You know whether the business has owners, owner-spouses, or related individuals who may need separate review.
- [ ] You know whether employees will need help understanding individual coverage options.
- [ ] You know whether language, technology access, or enrollment support may be an issue.
- [ ] You have a clean employee census that can be used for planning.

Do collect

Employee name, work location, employment status, eligibility group, hire date, and basic household coverage context if the employee chooses to share it for planning.

Do not collect

Private medical details, diagnoses, prescription lists, or unnecessary health information. Keep planning focused on benefit design and coverage logistics.

Employee census items you may need before a strategy call

5. Think through the employee experience

An HRA can be a good idea on paper and still feel confusing to employees. The rollout matters.

- [ ] Employees will receive plain-English instructions about how the HRA works.
- [ ] Employees will understand whether they need individual health insurance coverage, Medicare, or other qualifying coverage.
- [ ] Employees will understand what expenses can be reimbursed.
- [ ] Employees will understand what documentation is required before reimbursement.
- [ ] Employees will understand how Marketplace premium tax credits may be affected.
- [ ] Employees will know where to shop for coverage and when enrollment windows apply.
- [ ] Employees will know who to contact for enrollment questions.
- [ ] Employees will know who to contact for reimbursement questions.
- [ ] The employer has a communication plan for launch, reminders, and new hires.

Marketplace note

HealthCare.gov explains that an ICHRA offer may affect whether employees can receive the Marketplace premium tax credit. If an ICHRA is considered affordable, employees and household members generally cannot get the premium tax credit for Marketplace coverage. If it is not affordable, an employee may need to decline the ICHRA to use the premium tax credit, if otherwise eligible.

Rollout question

Will employees experience this as real support, or as one more complicated thing they need to figure out alone? The answer often depends on education, timing, and support.

6. Check your compliance and administration readiness

HRAs are formal health benefit arrangements. They can be useful, but they need to be set up and administered correctly.

- [ ] You understand that an HRA generally requires formal plan documents.
- [ ] You understand that eligible employees generally need written notices.
- [ ] You understand that reimbursement requests need documentation.
- [ ] You understand that the business should not simply hand employees cash for health insurance.
- [ ] You understand that plan design can affect Marketplace premium tax credits.
- [ ] You understand that the arrangement should be administered consistently.
- [ ] You understand that owners and certain related individuals may require special review.
- [ ] You understand that payroll, tax, insurance, and benefits administration may need to be coordinated.
- [ ] You have, or are willing to find, qualified support before implementation.

Important caution

The IRS has warned that certain employer payment arrangements that reimburse individual insurance premiums outside a compliant structure may fail to satisfy Affordable Care Act market reforms. In plain English: do not wing it. Use a formal, compliant arrangement and get qualified guidance.

Readiness score

Total boxes checked	_____
0 to 15	You may need more basic planning before comparing HRA options.
16 to 30	An HRA may be worth a structured conversation.
31 or more	You likely have enough context to explore plan design, employee impact, and administration next steps.

7. Questions to ask before you decide

Use these questions before you choose a path, talk with an advisor, or ask employees to start shopping for coverage.

- [ ] What problem are we trying to solve with health benefits?
- [ ] Is the main issue cost, complexity, employee choice, recruiting, retention, or all of the above?
- [ ] Are we replacing a group plan, starting benefits for the first time, or creating an option for a specific employee class?
- [ ] How much can we contribute each month without creating future budget strain?
- [ ] Would employees understand how to buy individual coverage?
- [ ] Would employees need enrollment support during open enrollment or a special enrollment period?
- [ ] How might the HRA affect Marketplace premium tax credits?
- [ ] What notices, plan documents, reimbursement process, and administrative support will we need?
- [ ] Who should review the plan before we offer it?
- [ ] What would make this benefit feel simple, fair, and useful to employees?

Questions or concerns to bring to your HRA conversation

Decision point

If this checklist raised more questions than answers, that is normal. HRAs can be useful, but the details matter. The next step is to talk through your business, budget, employee mix, and timing before choosing a plan type.

Ready to talk through your HRA options?

HRA Geeks helps small employers understand whether an HRA may be a realistic alternative to traditional group health insurance. The goal is not to push one answer. The goal is to help you understand what may fit, what may not fit, and what questions need to be answered before you move forward.

Next step

Schedule a call through the HRA Geeks website and bring this checklist with you. We can talk through your business, budget, employees, timing, and what kind of support may be needed before implementation.

Disclaimer

This checklist is for general educational purposes only and should not be considered legal, tax, insurance, accounting, payroll, or benefits advice. HRA rules can vary based on employer size, employee eligibility, ownership structure, plan design, reimbursement structure, employee coverage, and applicable federal or state requirements. Employers should consult qualified legal, tax, insurance, payroll, or benefits professionals before creating or offering an HRA.

Sources reviewed

HealthCare.gov - Deciding between group coverage and an HRA

HealthCare.gov - Health Reimbursement Arrangements for small employers

HealthCare.gov - Individual coverage Health Reimbursement Arrangements

CMS - Health Reimbursement Arrangements

IRS - Health Reimbursement Arrangements

IRS - Employer health care arrangements

Sources were reviewed on June 25, 2026. Public agency guidance may change. Confirm current rules before implementation.