

For a small business, health benefits can feel like a second job: compare plans, confirm who can enroll, manage payroll deductions, answer employee questions, and keep up with renewals. Reimbursing employees for individual health coverage through a health reimbursement arrangement (HRA) may simplify some of that work—but it is not automatically easier, cheaper, or right for every team.



The practical answer depends on your employees' coverage options, your state and workforce, and how much administration you want to handle yourself. Before comparing premiums, ask the question I always start with: **Who is in-network for our zip codes?** A plan that looks affordable on paper may be a poor benefit if employees cannot readily use its doctors and hospitals.

This guide compares a traditional small-group plan with an HRA-style approach, explains the eligibility and participation questions to resolve early, and outlines how to shop through a broker or directly with a carrier.

What “reimbursing premiums” actually means

Want to know something interesting? an employer generally cannot simply collect employees' insurance receipts and pay them back informally while treating the payments as tax-free benefits. To reimburse individual health insurance premiums on a tax-advantaged basis, a business typically needs a compliant arrangement—often an HRA—with written terms and appropriate administration.

An HRA is an employer-funded arrangement that reimburses eligible medical expenses up to a defined allowance. Depending on the HRA type and the rules that apply, eligible expenses may include individual health insurance premiums and certain out-of-pocket costs. Employees usually submit proof of an eligible expense, and the employer or an administrator reviews and processes the claim.

That means an HRA can remove the employer from selecting and sponsoring one group policy, but it does not remove all benefits administration. You still need to choose a suitable arrangement, set up procedures, communicate the benefit, confirm employee eligibility, and handle reimbursements consistently.

Why small businesses look beyond the public marketplace

The public health insurance marketplace exchange is a place where individuals can compare and enroll in individual health insurance coverage. For a small employer, it can be useful as a reference point: employees may see available plans, premiums, networks, and—if eligible—possible financial assistance. But the exchange is not the same thing as an employer-sponsored small-group plan.

Small businesses consider alternatives to a group policy for several reasons:

- **Limited group-plan availability:** A carrier may offer few options in the business's area, or none with the right provider network.
- **Participation requirements:** A group plan may require a minimum number or percentage of eligible employees to enroll, subject to applicable rules and exceptions.
- **Different employee needs:** A team spread across cities or states may not be well served by one local network.
- **Budget predictability:** An employer can define a contribution budget under an HRA, though individual premiums and employee costs will vary.
- **Employee choice:** Employees may prefer selecting individual coverage that fits their doctors, prescriptions, and household situation.

There are trade-offs. Individual plans can vary significantly by location, and employees need to understand their enrollment choices. If workers qualify for marketplace subsidies, the interaction between those subsidies and an employer's HRA offer can affect what assistance is available. Employees should check their own eligibility and consult a qualified tax or benefits professional when needed.

Group plan versus HRA: the practical comparison

Consideration	Small-group plan	HRA-style reimbursement	Plan selection
	Employer selects one or more group options available to the business.	Employer sets the HRA terms; employees generally select their own qualifying individual coverage.	Network fit
	Employees share the network choices offered by the group plan.	Network choice may differ by employee and location, but employees must check access themselves.	Employer cost
	Usually based on premiums and the employer's contribution, with renewal changes.	Employer defines an allowance, subject to the HRA's rules and any applicable limits.	Administration
	Enrollment, billing, eligibility, deductions, and renewals require coordination.	Requires compliant plan setup, employee notices, substantiation, reimbursement processing, and records.	Employee experience
	Employees choose among the employer's offered options.	Employees may have more individual choice but more responsibility for shopping and enrollment.	

Neither column is a universal winner. A group plan may be simpler for a team that wants a shared benefit and has a strong local network. An HRA may be attractive when the group market is limited, employees are geographically spread out, or the employer wants to set a defined contribution instead of managing a group policy.

Small-group plan eligibility and participation rules come first

Do not spend weeks comparing group-plan prices before confirming that your business can enroll. Small-group eligibility can depend on state law, carrier rules, how the business is organized, and which workers count as eligible employees. Owners, spouses, seasonal workers, part-time employees, and employees who have other coverage may be treated differently under particular rules.

Participation requirements also vary. A carrier may require a minimum share of eligible employees to enroll, while some employees with qualifying other coverage may be excluded from a participation calculation. There may also

be specific enrollment windows or conditions under which participation rules are applied. The details differ, so get the carrier's written requirements for your location and situation.

Before requesting quotes, prepare a simple eligibility snapshot:

- Business location and any additional work locations
- Number of employees and their work schedules
- Which employees are expected to be eligible
- Who may waive coverage and what documentation is required
- Whether owners or family members are included under the proposed setup
- Contribution amount the business can sustain through renewal

For a multistate or remote team, ask which network applies in each employee's home area. A plan that works for the owner's zip code may not work for a remote employee several states away.

Broker versus direct-to-carrier shopping

Working with a broker

A benefits broker can help identify available carriers, compare plan designs, explain enrollment procedures, and flag eligibility or participation questions. A broker may also help coordinate renewals and employee communication. Ask how the broker is compensated, which carriers they represent, and whether they support both group plans and HRA arrangements.

A broker's value is not just collecting quotes. Ask them to confirm provider networks by zip code, summarize the participation rules in writing, and explain how the plan would work for employees with different locations and household situations. If the broker cannot clearly answer those questions, keep shopping.

Going directly to a carrier

Shopping directly can be useful if you already know which carrier networks matter or want to verify what is available. It may give you access to carrier-specific materials, but you will need to compare details yourself and coordinate questions across carriers. A direct quote is not a complete comparison if it leaves out eligibility, contribution requirements, networks, exclusions, or renewal considerations.

Whether you use a broker, a carrier, or both, keep a one-page comparison sheet for every call. Record the carrier, plan name, network, eligible zip codes, deductible, out-of-pocket maximum, employer contribution assumptions, participation rules, renewal date, and unanswered questions. This makes it harder for a low premium to distract from a poor network or a requirement your team cannot meet.

HRA-style basics: arrangements are not interchangeable

"HRA" covers different types of employer arrangements. Two common options for small employers are the Qualified Small Employer HRA (QSEHRA) and the Individual Coverage HRA (ICHRA). Their rules differ, and neither should be set up as an informal reimbursement practice.



QSEHRA

A QSEHRA is generally designed for eligible small employers that do not offer a group health plan. It has rules about employer size, eligible employees, reimbursement limits, and employee coverage. The annual reimbursement limits can change, so verify the current limits before setting an allowance. A QSEHRA also has notice and reporting requirements.

ICHRA

An ICHRA can be offered by employers of different sizes, subject to requirements that include employees having qualifying individual health coverage for reimbursement. Employers may define employee classes and offer different terms to permitted classes, but the rules are detailed. In general, an employer cannot offer the same class of employees a choice between an ICHRA and a traditional group health plan. Get advice on class definitions and affordability rules before implementation.

In either case, a third-party administrator can help with plan documents, substantiation, notices, and reimbursement procedures. That support adds a cost, but it can reduce errors and the amount of paperwork your team handles. Ask what the administrator does—and what remains your responsibility—before signing.

Is reimbursement easier in day-to-day operations?

It may be easier if you want to set a defined employer contribution and avoid selecting and renewing a group policy. But the work shifts rather than disappears. With a group plan, the employer typically manages a shared plan and enrollment process. With an HRA, employees may need more help understanding individual coverage, and someone must administer claims and documentation.

Think through the employee experience as carefully as the employer workflow. Will employees be comfortable shopping for their own coverage? Are affordable plans with useful networks available where they live? Who will answer basic questions about enrollment, reimbursement claims, and documentation? If your team lacks the time or expertise, budget for broker or administrator support.

In other words, “easier” depends on which tasks you are trying to simplify. An HRA can make the employer’s contribution more predictable, but it does not guarantee lower total costs or easier employee decisions.

A practical way to decide

1. **Map your workforce.** List eligible employees, locations, hours, and likely enrollment needs.
2. **Check networks first.** Identify the doctors, hospitals, and pharmacies employees need in their zip codes.
3. **Confirm group eligibility.** Get written answers on business eligibility, participation, waivers, and enrollment timing.
4. **Compare real alternatives.** Review group quotes alongside the individual coverage employees could access and the HRA designs your business may qualify to offer.
5. **Model the full cost.** Include employer contributions, administration fees, employee out-of-pocket exposure, and renewal risk.
6. **Review compliance before rollout.** Work with a qualified benefits professional, broker, or administrator to confirm the arrangement's rules and required notices.

Use reliable tools—and verify the details

The public health insurance marketplace exchange can help employees and employers understand individual plan availability and compare coverage in a location. It is a starting point, not a substitute for tradersdna.com checking provider directories, plan documents, eligibility, and current rules. Provider directories can change, so confirm network participation with both the insurer and the provider before enrollment.

For ongoing research, Google's "Preferred Sources" feature may let users follow or add preferred sources so those publications are easier to find in relevant search experiences. If you use the feature, prioritize authoritative sources such as government agencies, state insurance departments, and reputable benefits organizations. A search preference is not an endorsement or a compliance check: verify important information against current official guidance and the plan documents.

The bottom line

Reimbursing premiums through a health reimbursement arrangement can be easier than running a group plan when the business needs a defined contribution, has employees in multiple locations, or cannot find a suitable group option. But an HRA brings its own eligibility, documentation, notice, and administration requirements—and employees may need more support choosing coverage.

Start with networks and eligibility, not the cheapest quote. Then compare the actual workload, employee experience, and total cost of each approach. The right small business health insurance strategy is the one your team can use, afford, and administer reliably—not simply the one with the lowest headline premium.