



## Small Businesses, Big Benefits: Why QSEHRAs Are the Perfect Healthcare Solution

If you run a small business, you know the challenge: you want to offer meaningful health benefits, but traditional group health insurance is expensive and complicated. Fortunately, Qualified Small Employer Health Reimbursement Arrangements (QSEHRAs) offer a flexible, cost-effective alternative. Since their introduction in 2017, they've quietly transformed how small businesses provide benefits.

In 2025, QSEHRAs will be more relevant than ever. With higher IRS contribution limits, better administrative technology, and an increasing demand for personalized benefits, they give small businesses a smart, affordable way to support their teams. And with rising healthcare costs, finding an alternative that works for both employers and employees is more important than ever.



**QSEHRAs give small businesses  
a flexible, tax-free way to offer  
health benefits.**

### WHAT ARE QSEHRAS, AND WHY DO THEY WORK?

QSEHRAs let small businesses reimburse employees for medical expenses and individual health insurance premiums completely tax-free. Unlike traditional group plans, they offer flexibility and simplicity. Employers set a fixed reimbursement amount (within annual IRS limits), and employees choose their own coverage—whether it's through the marketplace, a private insurer, Medicare, a Medicare Supplement (MediGap) plan, other group coverage such as a spouse's plan, Medicaid, or out-of-pocket medical expenses - no group policy to negotiate, no one-size-fits-all approach, just real benefits that fit real needs.

For small businesses with limited resources, it's a win-win: employers control costs, and employees get support that actually works for them.

And here's the best part: QSEHRAs don't just make financial sense. They give employees a level of freedom and personalization that traditional plans simply can't match. Employees get to pick the plan that makes the most sense for their lifestyle and health needs, and employers get to offer meaningful benefits without overextending their budget.

## 2025 UPDATES: HIGHER LIMITS, BIGGER OPPORTUNITIES

Here's some good news: the IRS has raised the contribution limits for QSEHRAs in 2025. Employers can now reimburse up to \$6,350 annually for self-only coverage and \$12,800 annually for family coverage<sup>1</sup>. That's about \$530 and \$1,066 per month, respectively.

**In 2025, small businesses can reimburse up to \$12,800 per year for employee healthcare costs.**



Why does that matter? Because it means small businesses can now cover an even bigger portion of employees' healthcare costs—whether that's premiums, prescriptions, or out-of-pocket expenses. This makes QSEHRAs an even more attractive alternative to traditional group plans.

It also levels the playing field. Many small businesses struggle to compete with large corporations when it comes to benefits. With these increased limits, small employers can offer substantial health benefits while maintaining budget flexibility.

## WHY MORE SMALL BUSINESSES ARE EMBRACING QSEHRAS

Beyond affordability, QSEHRAs offer strategic advantages. Here's why they're becoming a go-to solution:

- **Cost Control** – Employers set a budget and stick to it. No surprise premium hikes.
- **Employee Choice** – Workers select the health coverage that fits their needs, whether it's a high-deductible plan with an HSA or comprehensive coverage.
- **Tax Benefits** – Reimbursements are tax-free for employees and tax-deductible for employers.
- **Less Admin Hassle** – No group policy to manage, and third-party administrators make setup easy.



**Employees choose the coverage that works best for them—no one-size-fits-all plans.**

Offering health benefits, especially one as flexible as a QSEHRA, can make all the difference in attracting and retaining top talent in today's job market. Employees are looking for benefits that work for their unique situations, and QSEHRAs allow them to tailor their healthcare choices accordingly.

## SUCCESS IN ACTION: HOW QSEHRAS ARE CHANGING LIVES

Small businesses across industries are proving that QSEHRAs aren't just a theoretical solution but are delivering real results.

### A RETAIL BUSINESS FINDS A COMPETITIVE EDGE

A family-owned retail business with 15 employees wanted to offer benefits but couldn't afford traditional group insurance. With a QSEHRA, employees are reimbursed for health plans they choose on the marketplace. Within a year, employee satisfaction jumped 25%, and retention improved significantly. Offering personalized health benefits helped them compete with larger employers in attracting and keeping great staff.

### A RETAIL BUSINESS FINDS A COMPETITIVE EDGE

A small tech startup with remote employees across multiple states faced the challenge of providing equitable benefits. A QSEHRA allowed them to offer equal benefits regardless of location. Employees in high-cost areas received the same financial support as those in lower-cost regions, helping the company scale quickly without the headache of group plan logistics. By embracing QSEHRAs, they simplified administration while ensuring every team member had access to quality healthcare support.

These examples highlight a crucial benefit of QSEHRAs: flexibility. Whether a business operates in a single location or has a team spread across different states, QSEHRAs ensure every employee gets the support they need.

## HOW TECHNOLOGY IS MAKING QSEHRAS EVEN EASIER

Tech advancements have taken the hassle out of managing QSEHRAs. Employers can now use digital platforms to set up contributions, track reimbursements, and ensure compliance—all in one place. Employees can submit claims via mobile apps, get instant feedback on eligibility, and access automated reporting tools to keep everything IRS-compliant. For small businesses with limited HR resources, these tools are game changers.

Not only does this simplify administration, but it also improves transparency and efficiency. Employees no longer have to wonder if their reimbursement request was approved—it's all tracked in real-time.



## THE BIGGER PICTURE: WHY QSEHRAS MATTER

The workplace is changing, and so are employees' expectations. Workers today want more control over their healthcare choices, and businesses that offer flexible benefits have a competitive edge.

For one employee, that could mean a low-premium, high-deductible plan with an HSA. For another, it might mean a comprehensive policy with better family coverage. QSEHRAs let employees choose what's best for them, showing that their employer values their needs and not just the bottom line.

This trend towards personalization isn't just about healthcare- it reflects a more significant shift in employee benefits. Workers today expect options that cater to their unique situations, and businesses that embrace this shift will attract and retain the best talent.

## WHAT'S NEXT FOR QSEHRAS IN 2025?

Several trends are fueling QSEHRA adoption this year:

- ◉ **Changes in remote and hybrid work policies** – While some companies are calling employees back to the office, many businesses still rely on remote and hybrid workforces. QSEHRAs offer a flexible benefits solution that works across state lines, regardless of work location.
- ◉ **Legislative interest** – Lawmakers are discussing potential tax incentives for businesses offering QSEHRAs.
- ◉ **Mental health and wellness benefits** – Many employers are reinvesting QSEHRA savings into mental health stipends, therapy coverage, or wellness apps.

As group insurance premiums continue to climb, QSEHRAs are proving to be a cost-effective, meaningful way for businesses to support their teams.

**Small businesses can now compete with big companies by offering personalized health benefits.**



## THE BOTTOM LINE

QSEHRAs aren't just a budget-friendly alternative to traditional health insurance. They're a powerful tool for small businesses to show employees they care, offer real support, and stay competitive. With higher contribution limits in 2025, smarter tech solutions, and the growing demand for personalized benefits, there's never been a better time to consider a QSEHRA.

If you're a benefits agent or advisor, now is the time to lead the conversation. By educating clients on QSEHRAs and helping them implement these plans, you can make a real impact on small businesses and their employees.

Want to help your clients unlock the power of QSEHRAs? Contact your local CRC Benefits team today. We will make setup simple, ensure compliance, and provide the tools you need to succeed.

## CONTRIBUTOR

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## END NOTES

1. Internal Revenue Service. "IRS Announces 2025 Inflation Adjustments for Health Reimbursement Arrangements." October 2024. <https://www.irs.gov/newsroom/2025-inflation-adjustments>