

Here is an excerpt from the IRS regarding this issue:

*"What are the consequences to the employer if the employer does not establish a health insurance plan for its own employees, but reimburses those employees for premiums they pay for health insurance (either through a qualified health plan in the Marketplace or outside the Marketplace)?*

*Under IRS Notice 2013-54, such arrangements are described as employer payment plans. An employer payment plan, as the term is used in this notice, generally does not include an arrangement under which an employee may have an after-tax amount applied toward health coverage or take that amount in cash compensation. As explained in Notice 2013-54, these employer payment plans are considered to be group health plans subject to the market reforms, including the prohibition on annual limits for essential health benefits and the requirement to provide certain preventive care without cost sharing. Notice 2013-54 clarifies that such arrangements cannot be integrated with individual policies to satisfy the market reforms. Consequently, such an arrangement fails to satisfy the market reforms and may be subject to a \$100/day excise tax per applicable employee (which is \$36,500 per year, per employee) under section 4980D of the Internal Revenue Code."*

The IRS has specifically stated that as long as the health care dollars that the company provides to its employees are taxed as normal wages, a health care arrangement or employer payment plan does not exist. So if the company opts to simply provide a health care stipend to each employee, it is important that the stipend is added to each employee's gross wages and taxed as income. This will ensure that no excise taxes are assessed as a result. We also do not recommend that the employer pay the health carrier directly. Rather, we recommend that the stipend is provided directly to the employee as post-tax income.

Since this is a technical tax issue, we highly recommend that you verify this information with your tax professional prior to acting upon it.