
2023 QSEHRA Annual Report



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Introduction

The [qualified small employer health reimbursement arrangement](#) (QSEHRA) was established by the 21st Century Cures Act in 2016 and went into effect on January 1, 2017. Since its launch, the QSEHRA has made it possible for more small employers to offer a health benefit by enabling them to reimburse their employees tax-free for their individual insurance premiums and [qualifying medical expenses](#).

Because the QSEHRA doesn't have the expensive premiums, annual rate hikes, or restrictive participation requirements of traditional group health insurance plans, it has grown in popularity among employers with fewer than 50 [full-time equivalent employees](#) (FTEs).

Data from the [Kaiser Family Foundation's](#) (KFF) 2022 Employer Health Benefits Annual Survey found that only 39% of organizations with 3-9 employees and 67% of organizations with 10-199 workers offer health benefits. This is compared to 99% for larger organizations.

Our data proves that the QSEHRA empowers small employers to offer health benefits and allows them to change their contributions over time. This level of cost control for the employer makes a QSEHRA an extremely flexible benefit compared to traditional group health insurance.

As the first organization to offer a cloud-based QSEHRA administration platform, PeopleKeep has reported on how employers use their benefits every year since the launch of this benefit. This year's report details how thousands of small businesses and nonprofit organizations from across the U.S. used their QSEHRA benefit in 2022.

This report includes average allowances offered to employees, the most common expenses reimbursed, plan design choices, and more.



PeopleKeep

Methodology

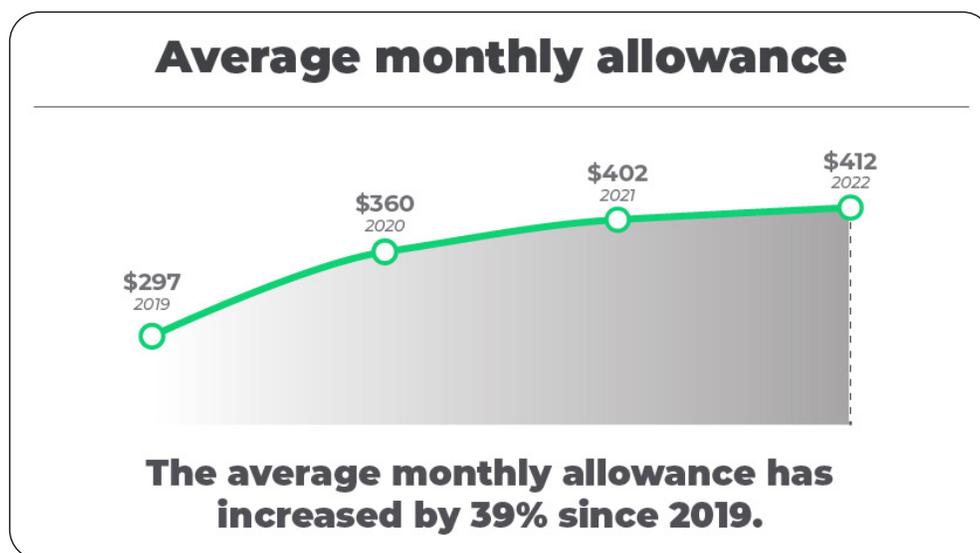
The data from this report was gathered from PeopleKeep QSEHRA customers and their employees from January 1, 2022, through December 31, 2022. We looked at how small businesses across various industries used our platform to provide quality, personalized health benefits. We also reviewed how the employees of these companies used their benefits.

Average monthly allowance

Over the past six years, one trend that has continued to hold true is a year-over-year increase in the average allowance offered by employers. In 2022, companies offered an average monthly allowance of \$412. This is a 2.5% increase from 2021.

One possible reason why average allowances have increased on an annual basis is because the IRS has increased maximum contribution limits on an annual basis. Between 2021 and 2022, the maximum allowance amount employers could offer single employees and employees with spouses and dependents increased by 2.8% and 3.2%, respectively. The IRS-imposed maximum limits for 2022 were \$5,450 (or \$454.16 monthly) for single employees and \$11,050 (or \$920.83 monthly) for employees with families.

In 2022, 10% of employers chose to offer the maximum allowance cap. This remains unchanged from 2021.



Average monthly allowance by family status

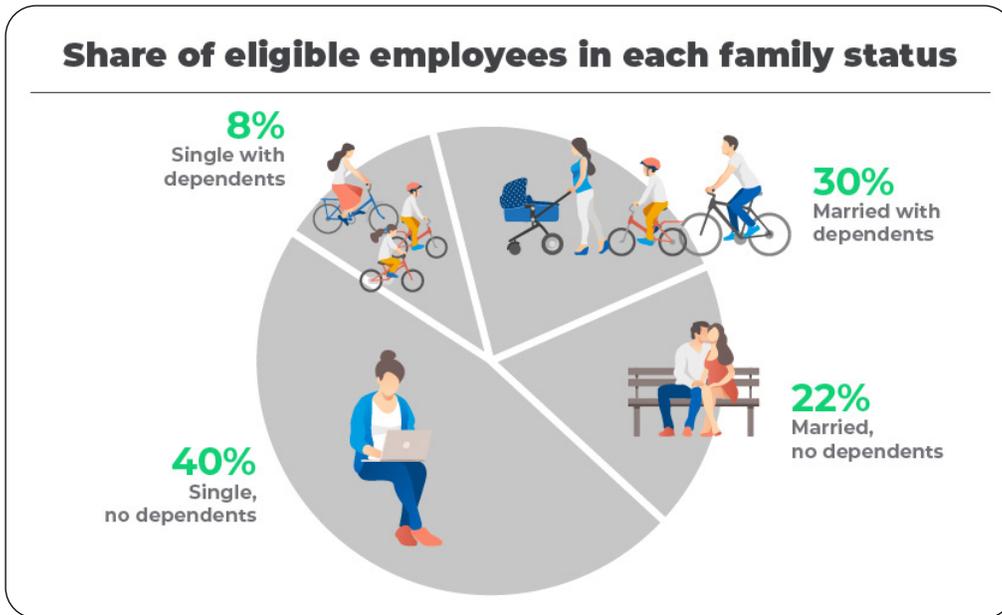
Over the past year, the largest increase in average monthly allowance by family status was for single employees with no dependents, which saw an increase of 3.9% from 2021 to 2022.

Average monthly allowance by family status



10% of employers offered an allowance up to the annual contribution limits. This is unchanged from 2021.

Most employees (40%) who participated in the QSEHRA were single without dependents. The next greatest share belonged to employees who are married with dependents (30%).



Average monthly allowance by company size

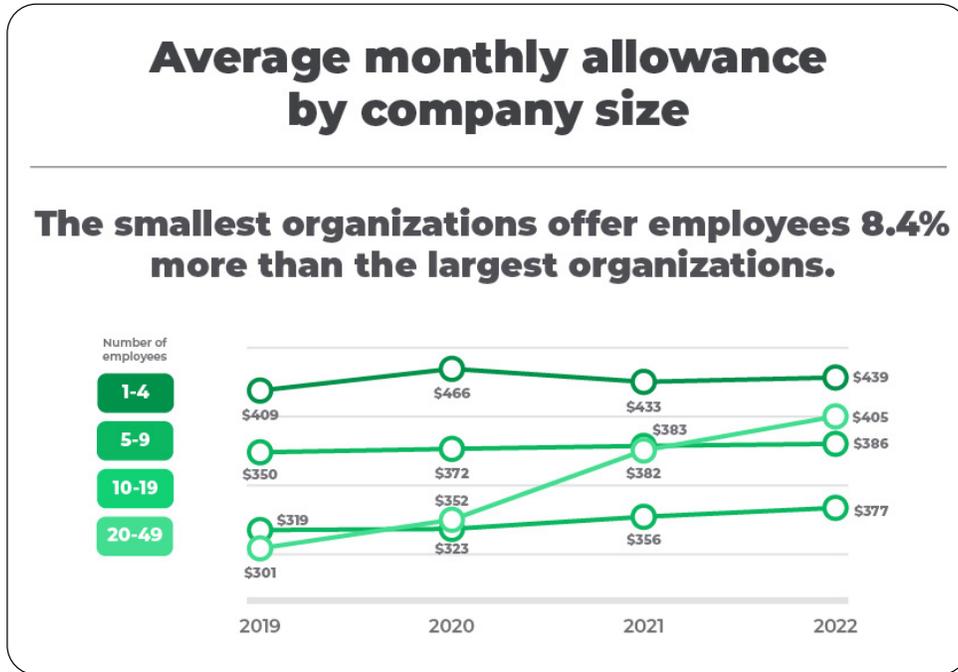
To be considered a “qualified” small employer and therefore eligible to offer a QSEHRA, an organization must employ fewer than 50 full-time equivalent employees. Organizations that choose to offer the QSEHRA must offer it to all of their W-2 full-time employees.

For our report, we’ve segmented our customers into different company sizes:

- One to four employees
- Five to nine employees
- Ten to 19 employees
- 20 to 49 employees

We found that, on average, the smallest organizations offer the highest QSEHRA allowances compared to their larger counterparts.

In 2022, organizations employing between one and four employees offered roughly 8.4% more than the largest organizations with 20 to 49 employees.



While this may seem counterintuitive, organizations with only a handful of employees may have specific individuals in mind when they set up their benefits.

Moreover, many of our smaller customers run non-profits that often have religious and moral beliefs at the heart of their organization. Providing a generous health benefit to their small group of employees would therefore align with their organization’s values.

Average monthly allowance by benefit design

When designing a QSEHRA with PeopleKeep, employers can choose between offering a premium-only or a premium-plus plan. A premium-only plan reimburses employees only for their insurance premiums while a premium-plus plan can also reimburse employees for qualifying out-of-pocket expenses as outlined in IRS Publication 502.

Given the flexibility and individualization a premium-plus plan offers employees, most PeopleKeep customers (99.7%) choose to reimburse their employees for additional out-of-pocket expenses.

Interestingly, in 2021 and 2022, employers with a premium-only plan offered slightly higher allowances, on average, than those with a premium-plus plan (\$414 vs. \$412).

Average monthly allowance by benefit design

Premium-only
\$414

Premium-plus
\$412

A premium-only plan reimburses employees only for insurance premiums, while a premium-plus plan also reimburses employees for qualifying out-of-pocket medical expenses. 99.7% of PeopleKeep QSEHRA customers offer a premium-plus plan.

Average monthly allowance by company tenure with PeopleKeep

Another finding that has remained consistent year-to-year is that company tenure directly correlates to allowance amounts. On average, the longer an organization has offered a QSEHRA through PeopleKeep, the more likely they are to offer higher allowances.

The more experience an employer has with their QSEHRA benefit, the more they understand its value to employees, how much they can afford to offer, and how to make the most of the benefit.



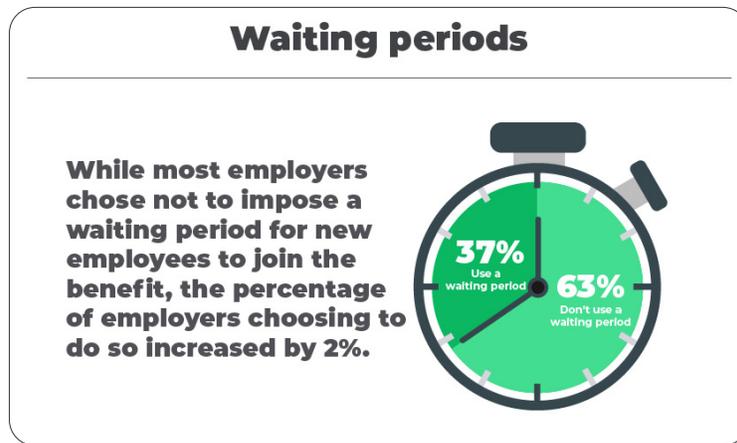
Voluntary features

In addition to being able to customize allowances and deciding whether to limit reimbursements to only cover insurance premiums or not, employers also have the option to customize their QSEHRA further by adding other voluntary features like waiting periods and employer-sponsored premium reimbursement (ESPR).

Waiting periods

A Waiting period, sometimes referred to as a probationary period, is the period of time new employees must wait before they can use their benefits. This can be helpful for employers who want to align their QSEHRA with other probationary employee benefits already in place.

Roughly 37% of employers chose to impose a waiting period for new employees to join the benefit. This is a slight increase from 2021 (35%).



Employer-sponsored premium reimbursement (ESPR)

Employers can also choose whether or not they want to reimburse employees for a spouse's employer-sponsored health insurance plan. This can be a valuable benefit for employees who are already participating in a family member's plan.

In 2022, 31% of our customers enabled this feature. This is an increase from 23% of customers in 2021.

Employer-sponsored premium reimbursement (ESPR)

Nearly a third of employers extended their QSEHRA benefits to employees covered by a spouse's group health insurance plan.

Percentage of customers who enabled ESPR:



QSEHRA + HSA coordination

Many employees may have a health savings account (HSA) that they or their spouse contribute to. The QSEHRA can [easily coordinate](#) with an HSA to provide even more tax savings to employees on healthcare expenses.

To coordinate a QSEHRA with an HSA, the benefit must become a “limited-purpose HRA” that only reimburses employees for the following expenses:

- Health insurance premiums
- Long-term care premiums
- Dental expenses
- Vision expenses

Employees will also need to enroll in an HSA-qualified high-deductible health plan (HDHP).

In 2022, 5% of PeopleKeep QSEHRA users self-reported that they use an HSA alongside their QSEHRA.

QSEHRA + HSA coordination



5%
of employees self-reported
using an HSA with their
QSEHRA to get even more
tax-free assistance with
their healthcare expenses.

Most popular states for PeopleKeep QSEHRA customers

PeopleKeep serves companies and employees in every state and the District of Columbia. We broke down our QSEHRA data by state to determine the most popular states by number of customers. We compared the average monthly allowance for organizations in these states to the [average lowest-cost silver plan](#) premium on the individual health insurance marketplace.

Top 5 most popular states for PeopleKeep QSEHRA customers



#1
California

12% of customers

\$446.03 average
monthly
allowance

Average
lowest-cost silver
plan premium:
\$395/month



#2
Florida

7% of customers

\$363.92 average
monthly
allowance

Average
lowest-cost silver
plan premium:
\$453/month



#3
Texas

6% of customers

\$377.65 average
monthly
allowance

Average
lowest-cost silver
plan premium:
\$415/month



#4
Colorado

6% of customers

\$395.45 average
monthly
allowance

Average
lowest-cost silver
plan premium:
\$345/month



#5
Ohio

4% of customers

\$387.04 average
monthly
allowance

Average
lowest-cost silver
plan premium:
\$371/month

We found that the most popular states for QSEHRA customers were California (12%), Florida (7%), Texas (6%), Colorado (6%), and Ohio (4%). The customers in these states offered an average allowance greater than the average price of the lowest-cost bronze plan in 2022. Additionally, California, Colorado, and Ohio had a greater average allowance than those states' average lowest-cost silver plan.

The average percentage of an employee's allowance that gets used

One of the perks of offering a QSEHRA is that employers have complete control over their costs. By determining a set allowance, employers always know the most they'll spend on employee healthcare reimbursements each month. And, if employees don't use their total allowance, employers keep the money. This can provide additional savings compared to offering traditional group health insurance.

In 2022, employers reimbursed 53% of allowances on average. That left 47% with employers. To put that into perspective, if an employer offers the full \$454.16 monthly allowance available to a single employee, they would only be reimbursing \$240.70 each month on average. The remaining \$213.46 is not incurred by the employer.

The average percentage of an employee's allowance that gets used



Out of employees who received reimbursements, **53% of their allowance gets used on average**, leaving the remaining **47% with the employer.**

Most commonly reimbursed expenses

We analyzed employee reimbursements to determine the most commonly reimbursed premiums and non-premium expenses.

44% of all reimbursements in 2022 were for premiums, which had an average reimbursement amount of \$377. This places it under the national average benchmark for individual health insurance premiums in 2022, which was \$438.

The remaining 56% of reimbursements were for non-premium expenses. The average reimbursement for these expenses in 2022 was \$145.

Top 5 most reimbursed premiums:

- #1 Individual health insurance premiums**
 - Average reimbursement: \$470
 - 27% of all reimbursement requests—premium and non-premium—were in this category
- #2 Dental insurance premiums**
 - Average reimbursement: \$48
- #3 Employer-sponsored group health insurance premiums**
 - Average reimbursement: \$472
- #4 Medicare Part A and B insurance premiums**
 - Average reimbursement: \$223
- #5 Employer-sponsored group dental insurance premiums**
 - Average reimbursement: \$58

Most employees who used their allowances for premium reimbursements looked to get their individual health insurance premiums reimbursed in 2022 (27% of all reimbursement requests—including non-premium requests). However, other premiums, such as dental and vision coverage, were also in the mix.

Top 5 non-premium reimbursements:

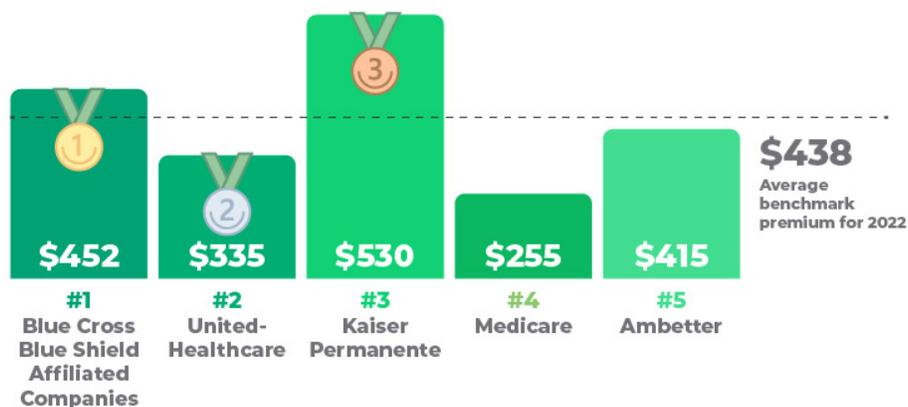
- #1  **Prescription drugs**
· Average reimbursement: \$43
- #2  **Medical office visits**
· Average reimbursement: \$119
- #3  **Mental health counseling**
· Average reimbursement: \$104
- #4  **Dental care**
· Average reimbursement: \$320
- #5  **Chiropractic care**
· Average reimbursement: \$60

For the non-premium expenses, prescription drugs were at the top of the list. Medical office visits, mental health counseling, out-of-pocket dental care expenses, and chiropractic care rounded out the top five most popular reimbursements.

Top reimbursed insurance carriers and their average premium reimbursement amount

Given that health insurance premiums were the most common expense employees had reimbursed through their QSEHRA in 2022, we looked at which insurance carriers were most commonly used among employees who were offered a QSEHRA. In addition, we calculated the average monthly premium reimbursement amount for each carrier.

Top 5 most reimbursed insurance carriers and their average premium reimbursement amount



Blue Cross Blue Shield and their affiliated companies again emerged as the most popular insurance carrier among our QSEHRA customers. However, UnitedHealthcare moved up from fifth place in 2021 to claim the second place spot for 2022. Kaiser Permanente, Medicare, and Ambetter claimed the remaining top five spots.

When comparing these average reimbursement amounts to the average cost of group health insurance premiums, we found that the amount being reimbursed for these individual plan premiums is lower than the cost would have been for a group plan. The [Kaiser Family Foundation](#) (KFF) found that the average cost of employer-sponsored coverage in 2022 was \$7,911 for single coverage (\$659.25/month) and \$22,463 for family coverage (\$1,871.92/month).

Months by average reimbursement amount

This year, we also looked at which months of the year had the highest average reimbursement amount per employee.



We found that the month in which employees had the highest average reimbursement amount was December with \$627.75, followed by June and November. The month with the lowest average reimbursement amount was April with \$373.35.

Average monthly reimbursements among employees who submitted expenses

Finally, we reviewed the average number of expenses employees submitted each month to help employers estimate how many expenses, on average, they can expect to see their employees submit for reimbursement.

Of employees who were reimbursed for insurance premiums in 2022, 36% were reimbursed for multiple premiums—including dental and vision—each month. This shows that employees valued the ability to use their allowance on the premiums that mattered most to them, which is something that can't be facilitated with a traditional, one-size-fits-all group health insurance plan.

Additionally, employees who were reimbursed through their QSEHRA submitted an average of 1.13 reimbursement requests each month, or 13.51 for the year.

With a QSEHRA, employees can use their allowance on the qualifying medical expenses that matter most to them, while employers simply approve the expense and pay employees their reimbursement.

PeopleKeep's documentation review team spends time looking at the fine print and reviewing requests to ensure compliance with federal law. We take care of the expense verification process, so you don't have to.

Conclusion

In the six years since the qualified small employer HRA (QSEHRA) became available, thousands of small businesses and nonprofit organizations have embraced the benefit as an affordable, flexible, and tax-advantaged health benefits solution.

The customer and user data shared in this report proves that small business owners can provide a comprehensive, personalized health benefit to better recruit and retain top talent while saving on administration time and money.



When you're ready to offer your own QSEHRA, our experts at PeopleKeep are here to help. Schedule a call with a personalized benefits advisor today to start offering the kind of individualized benefits your employees deserve.

[Schedule a Call](#)



PeopleKeep helps organizations of all sizes offer personalized employee benefits at a price they can afford. Our simple benefits administration platform for HRAs and [employee stipends](#), combined with our award-winning customer support team, allows employers to easily manage their benefits in just a few minutes each month.

Discover why more than 3,000 organizations use PeopleKeep to hire and keep their people across the United States. [Schedule a call with a personalized benefits advisor to start offering competitive benefits today!](#)

To learn more about PeopleKeep, visit peoplekeep.com.    

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