



# The nonprofit's guide to health benefits

How nonprofit organizations  
can leverage personalized health benefits  
to attract and retain employees

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## Introduction

As healthcare costs rise each year, businesses of all sizes find it difficult to deliver quality health benefits to employees.

In 2021, [KEE](#) found that 90% of large employers believed the cost of providing health benefits to employees will become unsustainable in the next five to 10 years. Because nonprofits and churches often manage smaller teams and even smaller compensation budgets, they face unique challenges.

As a nonprofit employer, you need a dedicated team of employees that's passionate about making a positive impact in your community and the world. One of the best ways to attract and retain your employees is to offer a standout benefits package. But if you have a limited budget or face budget fluctuations, it can be hard to meet the unique needs of your staff.

Nonprofit organizations typically have small, efficient teams. Because of this, nonprofit leaders often wear many hats, moving from strategic initiatives to office management at a moment's notice. Adding benefits administration to the mix can be a hassle for these leaders.

Because of these factors, many nonprofit organizations find that traditional group health insurance doesn't work for their organization.

So, how can nonprofit organizations offer standout health benefits without the high cost of traditional group health insurance?

**This guide will provide tips for building a personalized health benefits program that engages your nonprofit employees.**

## Are nonprofits required to offer health insurance?

Not all organizations must offer health coverage to their employees. Under the Affordable Care Act's (ACA) employer mandate, organizations with 50 or more [full-time equivalent employees](#) (FTEs) must offer affordable health coverage that meets [minimum essential coverage](#) (MEC) and minimum value (MV) to at least 95% of their full-time employees and their dependents. Otherwise, they face a penalty.

If your nonprofit has 50 or more FTEs, you must provide health coverage to your full-time employees. But, even if your organization has fewer than 50 FTEs, offering a health benefit comes with many benefits. These include greater employee retention and employee morale.

## What health benefits are available to nonprofit organizations?

Nonprofit organizations can utilize various types of health benefits to support their staff.

While small group health insurance is available from federal and state health insurance exchanges, many nonprofits find it challenging to offer. This is because these plans come with minimum participation requirements and annual rate hikes. Additionally, these plans are one-size-fits-all and may not offer the specific coverage your employees need.

That's why nonprofit organizations turn to personalized health benefits like [health reimbursement arrangements](#) (HRAs) and employee stipends. We'll cover these options in-depth in the sections below.

## Health reimbursement arrangements (HRAs) for nonprofits

An HRA is an IRS-approved, employer-funded health benefit employers use to reimburse employees for [out-of-pocket medical expenses](#) and individual health insurance premiums. Many nonprofits use HRAs as an alternative to group health insurance because of the tax advantages, budget control, and flexibility.

With an HRA, organizations set a monthly allowance for employees. After making healthcare purchases, employees submit documentation such as receipts. From there, the plan administrator reviews the documents for IRS compliance. Once approved, employers can reimburse their employees tax-free up to their available allowance amount.

There are a few types of HRAs available, each with its own set of features and requirements, that enable nonprofits to deliver meaningful health benefits to employees.

### Qualified small employer HRA (QSEHRA)

The [qualified small employer HRA](#) (QSEHRA) is a type of HRA available only to organizations with fewer than 50 FTEs. With it, you can set a monthly allowance to reimburse employees for qualifying out-of-pocket medical expenses and health insurance premiums.

All QSEHRA reimbursements are free of payroll tax for the employer. Reimbursements can also be free of income tax for employees if a policy providing MEC covers them.

The IRS [caps QSEHRA allowances](#) each year. For 2023, employers could offer up to \$5,850 for self-only employees (\$487.50 per month) and \$11,800 for employees with a family (\$983.33 per month). But, due to the flexibility of HRAs, you can offer as little allowance as you'd like. This gives you complete budget control over your health benefits.



Our [2023 nonprofit QSEHRA report](#) found that 56% of our nonprofit customers surveyed chose a QSEHRA because their organization couldn't afford group health insurance. Our report also found that nonprofits offered an average monthly QSEHRA allowance of \$466 in 2022.

Another benefit of the QSEHRA is that you only pay out your allowances when employees make qualifying purchases. Any unused funds stay with your organization at the end of the year. Our nonprofit QSEHRA report found that, on average, employees use 59% of their allowance, leaving 41% with their employer.

Whether your employees choose to remain uninsured, purchase their own health insurance plan, or participate in their spouses' or parents' medical plan, they can all benefit from a QSEHRA.

## Individual coverage HRA (ICHRA)

Suppose your nonprofit has 50 or more FTEs, or you want more flexibility with plan design. In that case, an [individual coverage HRA](#) (ICHRA) is an excellent option.

Much like the QSEHRA, organizations can use the ICHRA to reimburse employees tax-free for individual health insurance premiums and other out-of-pocket medical expenses. Employers can set allowance amounts that fit their budget, and they keep the unused funds at the end of the benefit year.

Unlike a QSEHRA, an ICHRA can help organizations satisfy the ACA's employer mandate if employees have individual health insurance coverage with MEC. As long as your ICHRA allowance is [affordable](#) and meets minimum value, you can rest easy knowing you've met the compliance standards for [applicable large employers](#) (ALEs).

The ICHRA is only available to employees with an individual health

insurance policy. This means employees covered by a spouses' or parents' group plan can't participate. Employees can also opt in or out of the benefit based on affordability.

One of the biggest advantages of the ICHRA is the flexible plan design. With an ICHRA, nonprofits can offer different allowance amounts or customize eligibility by [11 different employee classes](#), such as full-time or part-time employees.

You can also offer an ICHRA as a stand-alone benefit or alongside a group health insurance policy. But you can't offer group health insurance and an ICHRA to the same class of employees or give them a choice between the two benefits. For example, you can offer a group plan to your full-time employees and an ICHRA to your part-time employees.

## Group coverage HRA (GCHRA)

A [group coverage HRA](#) (GCHRA), also called an integrated HRA, is an employer-funded medical reimbursement plan that supplements an existing group health insurance plan, such as a high-deductible health plan (HDHP).

A GCHRA allows you to reimburse your employees for the out-of-pocket medical expenses your group plan doesn't cover. This includes costs before your deductible, copayments, and coinsurance.

You can only offer a GCHRA to your employees who participate in your group plan.

There are no allowance limits, and, similar to the ICHRA, you can differ allowances based on [seven employee classes](#). You can also choose to require an explanation of benefits (EOB) with each reimbursement request.

## Employee stipends

[Employee stipends](#) are another alternative to group health insurance and HRAs. While HRAs are excellent tax-free health benefits, they may not work for everyone. If you employ independent contractors who receive Form 1099 instead of a W-2, they can't participate in an HRA. Likewise, international employees can't participate in an HRA.

Because HRAs provide tax-free reimbursements, employees must account for their allowance and any premium tax credits they receive. With a QSEHRA, this means reducing the tax credits by the amount of their QSEHRA allowance if their allowance is unaffordable. With an ICHRA, your employees must choose between their ICHRA or tax credits based on affordability.

A health stipend might be a better option for your employees in these unique situations. A health stipend works like an HRA, where you can offer a monthly allowance for medical expenses. However, they are taxable for both the employer and the employee.

With fewer regulations than an HRA, you can offer a stipend to cover items and services insurance or HRAs don't cover, like certain mental health expenses and wellness services.

If you offer a health stipend to your employees, you can't require them to submit receipts for medical expenses listed in IRS Publication 502. You also can't require proof of insurance.

For organizations with 50 or more FTEs, a stipend doesn't satisfy the ACA's employer mandate. This makes an HRA a better option for most organizations.

You can offer many other types of stipends to your employees in addition to HRAs or group health insurance. A wellness stipend allows you to reimburse your employees for things like gym memberships, exercise equipment, and more. You can even customize stipends to





cover anything you'd like, such as dietary supplements and healthy food.

## Conclusion

Your dedicated employees power your nonprofit and elevate your organization's mission. Yet, many nonprofits with limited time and resources struggle to keep top talent. With personalized health benefits like HRAs and employee stipends, you can take control of your budget while allowing your employees to choose their own coverage.

## How PeopleKeep can help

Offering personalized health benefits can improve your nonprofit's talent acquisition and retention efforts. With our HRA and employee stipend software solutions, nonprofits of all sizes can offer an inclusive benefits package that strengthens the employee experience.

We make administering your health benefits a breeze! We automate time-consuming tasks like generating plan documents and storing your records, so you can easily offer a compliant benefit. Our team of experts will also review your employees' HRA reimbursement requests and verify eligible expenses so you can spend more time running your nonprofit.

### Ready to offer health benefits?

Schedule a call with a personalized benefits advisor today!

[Schedule a Call](#)



PeopleKeep helps organizations of all sizes offer personalized employee benefits at a price they can afford. Our simple benefits administration platform, combined with our award-winning customer support team, allows employers to easily manage health and lifestyle benefits in just a few minutes each month.

Discover why thousands of organizations use PeopleKeep to better care for their teams with more meaningful benefits. [Schedule a call](#) with a personalized benefits advisor to start offering competitive benefits today!

**To learn more about PeopleKeep, visit [PeopleKeep.com/about-us](https://peoplekeep.com/about-us)**



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