

Nonprofits on benefits: 2019 report



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Introduction

As nonprofits prepare for a new fiscal year, they're once again considering a tricky piece of employee compensation: health benefits.

Offering competitive health benefits is as important to nonprofit groups as it is to for-profit businesses. With a vibrant economy, employees are careful about where they work and often won't consider an employer that doesn't provide health benefits.

But small nonprofits often lack the resources of larger groups and for-profit businesses. To counteract that and remain competitive, many are turning to a relatively new health benefit option: the qualified small employer health reimbursement arrangement (QSEHRA), a health benefit that allows groups with fewer than 50 full-time employees to reimburse workers for medical expenses.

To learn more, PeopleKeep surveyed more than 100 nonprofit and religious organizations using the QSEHRA about their motivations, their challenges, and their experiences in the health benefits space.

This report details our findings.

Nonprofits face many health benefits challenges

With health care costs rising every year, all small businesses struggle to offer quality health benefits. Small nonprofits and churches, however, face unique challenges.

Because of their not-for-profit status, cost is an even bigger concern for these groups. In fact, 81 percent of those surveyed said cost was one of their most pressing challenges in finding a health benefit that fits their needs. This is especially true because establishing a predictable revenue stream is difficult for nonprofits, with income varying greatly from month to month.

Nonprofit directors struggle with time management as well. With a small number of employees, nonprofit leadership often wears many hats, moving from strategic initiatives to office management several times a week.

Finally, nonprofit employees have unique needs. Because nonprofits employ people with a strong dedication to the group's mission, employees often span several demographics, including age, marital status, and insurance status. They may also work across state lines. This makes finding one health benefit that delivers value to all employees challenging.

Because of these factors, very few nonprofits find a benefits match with traditional group health insurance. In fact, just 18 percent of nonprofits surveyed said they ever offered a group policy.

A solution: The QSEHRA

Many nonprofits have found a solution in the qualified small employer health reimbursement arrangement (QSEHRA).

Created through bipartisan legislation in 2016, the QSEHRA is a health benefit that allows groups with fewer than 50 full-time employees to reimburse workers for medical expenses.

With a QSEHRA, the nonprofit offers employees a fixed monthly allowance of tax-free money (up to \$429.17 per single employee and \$870.83 per employee with a family in 2019). Employees then purchase health care, including individual health insurance policies, and submit proof of the expense to their employer. The nonprofit reviews the documentation and reimburses employees up to their allowance amount.

All reimbursements are tax-advantaged: in other words, free of payroll tax.

Reimbursements are also income tax-free for employees and family members with major medical insurance.

Nonprofits have been using the QSEHRA since its inception. In 2018, nonprofits offered average allowance amounts of \$311 for single employees and \$473 for employees with a family. Within the nonprofit category, religious organizations offered average allowances of \$280 per single employee and \$597 per employee with a family.

Nonprofits offer the QSEHRA for a variety of reasons

The QSEHRA seems uniquely adapted to suit the needs and structure of nonprofits. When asked their biggest reasons for choosing the QSEHRA, survey respondents cited the ways the QSEHRA addresses their biggest health benefits challenges.

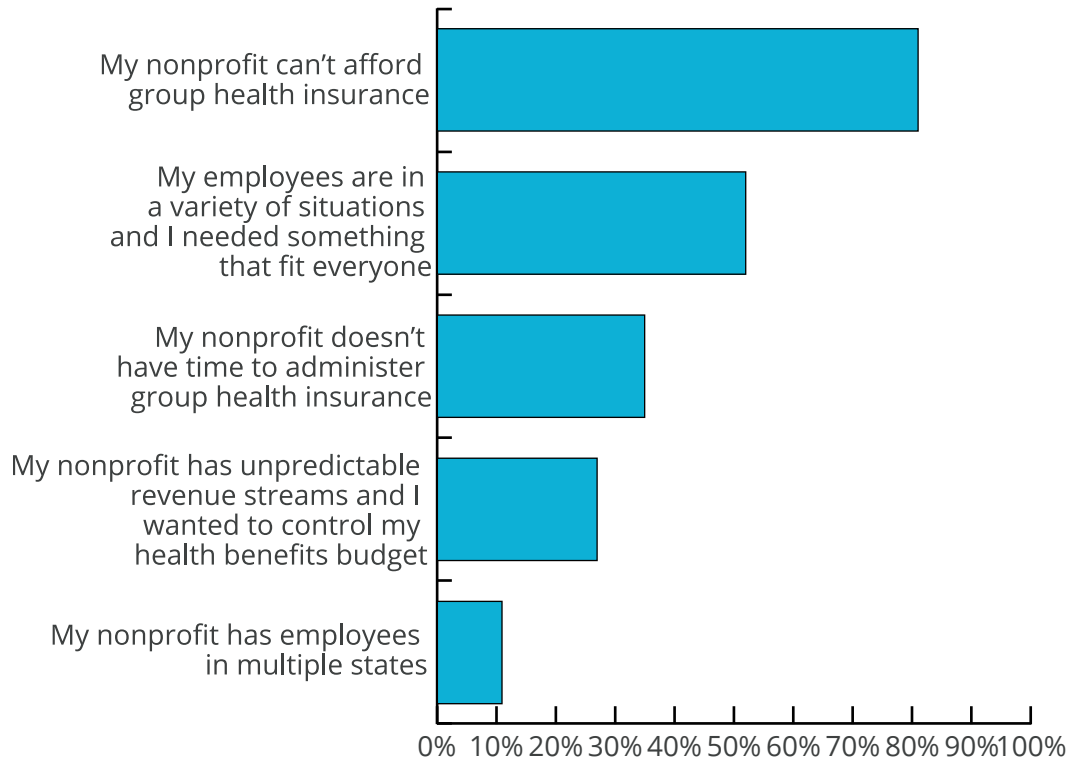
Cost, unsurprisingly, was the biggest factor in nonprofits' choice to offer the QSEHRA. More than 80 percent of respondents said their ability to set fixed allowance amounts through the QSEHRA was a better budgetary fit than group health insurance.

Another 52 percent cited diverse employee situations as an important reason they chose the QSEHRA. Unlike group health insurance, the QSEHRA provides reimbursement for at least some medical expenses regardless of the employee's age or insurance status.

The QSEHRA also helped 11 percent of nonprofits provide health benefits to employees who live across state lines. While a nationwide health insurance policy can be expensive, the QSEHRA allowance amount is fixed and simple to administer for remote employees.

Within the nonprofit sector, motivations for offering the QSEHRA differed somewhat. Religious organizations, for example, were most sensitive to cost (with 84 percent citing this as a reason they chose the QSEHRA) while arts organizations were the most likely to have employees working out of state (29 percent).

What are the most important reasons you chose to offer a QSEHRA?



Nonprofits highly recommend the QSEHRA

Overall, nonprofits are highly satisfied with the QSEHRA. In fact, 93 percent of nonprofits said they were either very likely or extremely likely to recommend the QSEHRA as a health benefit to other nonprofits.

These levels of satisfaction were consistent across nonprofits regardless of their health benefits challenges and were particularly high among groups

with unpredictable revenue streams (96 percent) and groups with a diverse employee set (94 percent).

Even among nonprofits that previously offered group health benefits, satisfaction with the QSEHRA was high. A full 94 percent of nonprofits in this situation said they were very or extremely likely to recommend the QSEHRA.

Nonprofits recommend administering the QSEHRA with software

To best handle QSEHRA administration, most nonprofits recommend using a software provider.

A QSEHRA software provider handles important tasks like creating and updating plan documents, processing reimbursement requests, and answering employee questions.

Nearly 85 percent of nonprofits using a QSEHRA say having such a provider is either very important or extremely important. This is especially true for nonprofits who chose the QSEHRA to save time; 91 percent of these groups say it's either very or extremely important.

Nonprofits are eager for more health benefits solutions

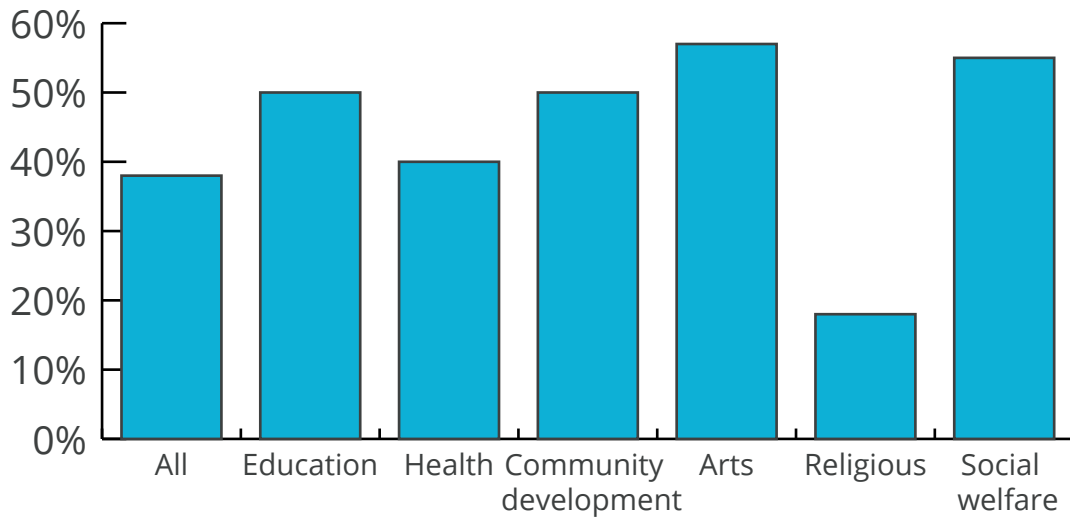
Although nonprofits report high levels of satisfaction with the QSEHRA, they're also eager to see more cost-effective alternatives to group health insurance.

Many are turning to the federal government for these developments. In particular, support for a "Medicare for All"-style policy among nonprofits is

growing; one-third of respondents said they were extremely interested in such a change.

This is a divisive public policy proposal, however. Twenty-six percent of nonprofits said they had no interest in Medicare for All, and another 26 percent said they didn't have an opinion on the policy.

Nonprofits that say they're very or extremely interested in Medicare for All



Opinions on government action to increase health benefits were polarized among subsectors in the nonprofit space—particularly with regard to Medicare for All. Only 15 percent of religious groups said they were extremely interested in it, while a full third opposed it. Comparatively, 57 percent of arts organizations and 55 percent of social welfare organizations said they were either very or extremely interested in Medicare for All.

Nonprofits were far more bullish on general federal government action to increase health benefits options. Fifty-four percent of survey respondents said they were extremely interested in seeing federal action to increase

benefits options, and another 14 percent said they were very interested. Only 1 percent indicated no interest at all.

Suggestions tended to focus on supporting health care cost control, ranging from more HRA vehicles to government control of prescription drug prices.

Conclusion

Nonprofits continue to struggle with the costs, time requirements, and limitations of group health benefits—so much so that they're solidly in support of government action to expand their options.

In the interim, though, many have found a solution in the QSEHRA. With the QSEHRA, nonprofits can solve many of their most vexing health benefits challenges. They can control their benefits costs, provide value to employees regardless of their situation, and outsource administration requirements to a software provider.

As other nonprofits consider their options for the upcoming fiscal year, their peers have a message—the QSEHRA works.

Index: Methodology

This report was based on a survey of more than 100 nonprofit customers currently using PeopleKeep to administer a qualified small employer health reimbursement arrangement (QSEHRA).

These nonprofits included educational organizations, health-related organizations, social welfare and advocacy groups, community development organizations, professional or trade groups, arts organizations, and religious organizations.

Responses included multiple choice answers and free-form responses.

For more information on health benefits for nonprofits, check out [PeopleKeep.com/education/nonprofit](https://www.peoplekeep.com/education/nonprofit).