

When a small business starts looking at health benefits, the first question is often about cost. From years of working through renewals with small teams, I learned to ask a different question first: **Who is in-network for our employees' ZIP codes?** A plan that looks affordable on paper may be a poor fit if workers cannot readily use its doctors, hospitals, or pharmacies.

After network fit, compare the rules that determine who can enroll and how the business can contribute. Those rules differ for small-group insurance and a health reimbursement arrangement (HRA). They can also vary by state, carrier, employee circumstances, and the type of HRA. This guide covers the basics so you can ask better questions before choosing a setup. It is general information, not legal, tax, or insurance advice.

Why small businesses look beyond the public marketplace

The public health insurance marketplace exchange is where individuals and families can shop for their own coverage and, if eligible, apply for premium tax credits. In many states, the federal marketplace is HealthCare.gov; some states operate their own exchanges. Small employers may also investigate the Small Business Health Options Program (SHOP), where available, or consider buying a group plan outside the exchange.

Businesses often look outside the public marketplace because they want to compare more plan designs, carriers, provider networks, or enrollment arrangements. A broker may be able to show options from multiple insurers. An employer can also contact a carrier directly, although the available products and assistance may differ. Another reason to explore alternatives is that an employer wants to offer a defined contribution rather than select one group plan for everyone. An HRA may be worth investigating in that situation.

"Outside the marketplace" does not automatically mean cheaper or better. Compare the actual plan documents, premiums, deductibles, out-of-pocket limits, networks, prescriptions, and employer obligations. Also distinguish individual coverage from group coverage: they have different enrollment rules, tax treatment, and compliance requirements.

Broker vs. direct-to-carrier shopping

A broker can help gather quotes, explain plan differences, and coordinate enrollment. Some brokers specialize in small groups or in HRA arrangements. Ask how the broker is compensated, which carriers they represent, whether they will compare options across the market, and what support they provide after enrollment. A broker's comparison is useful, but it is still worth checking the plan details yourself.

Buying directly from a carrier can give you a direct line to that insurer and may be a good way to clarify its products or network. The trade-off is that one carrier cannot provide a neutral comparison with other carriers' plans. Direct shopping can also leave the employer coordinating more of the comparison and enrollment work.



For either route, ask the same questions and keep a one-page comparison sheet for every carrier call. Start with networks for employees' ZIP codes, then record the premium, deductible, out-of-pocket maximum, prescription coverage, participation requirements, employer contribution rules, and enrollment deadlines. Avoid choosing based only on the monthly premium; a low price does not tell you whether a plan works for your team.

Small-group plan eligibility and participation rules

Small-group insurance generally covers a business that meets the applicable definition of a small employer. The exact size limit and rules depend on federal and state law, and some states use different approaches. Carriers may also require the employer to meet minimum participation or contribution standards. These rules can affect whether a group can enroll, when it can enroll, and which employees count in the calculation.

Who counts as an eligible employee?

For a group plan, the carrier's definition and applicable law matter. Owners, partners, seasonal workers, part-time employees, and employees with coverage through a spouse or another source may be treated differently for eligibility or participation calculations. Do not assume that every person on payroll is eligible, or that every eligible person must enroll. Ask the carrier or broker to explain, in writing, who counts and how waivers are handled.

Participation and employer contributions

A carrier may require a certain share of eligible employees to enroll, or may set a minimum employer contribution toward premiums. The calculation can be complicated by valid waivers, such as employees who have other qualifying coverage. Rules can differ by carrier, state, and time of year. Some enrollment windows or exchange arrangements may have different requirements.

Before selecting a group plan, request the exact participation and contribution rules for your business—not a general summary. Confirm how the carrier treats owners, dependents, waived employees, and employees who work in another state. Ask what happens if participation changes at renewal or if the business falls below the carrier's minimum.

Question to ask Why it matters Who is eligible to enroll? Eligibility may depend on employment status, hours, and carrier rules. How is minimum participation calculated? Waivers and other coverage may affect the enrollment

percentage. What contribution must the employer make? Some carriers set minimum employer contributions toward premiums. How are remote workers treated? Networks and carrier availability may differ by state and ZIP code.

Health reimbursement arrangement basics

A health reimbursement arrangement is an employer-funded benefit that reimburses eligible medical expenses, subject to the arrangement's rules and applicable law. Employees do not contribute salary to a traditional HRA. The employer establishes the arrangement, defines permitted benefits within legal limits, and reimburses eligible expenses after they are properly substantiated.

"HRA" covers several arrangements, not one interchangeable product. Common types include an integrated HRA paired with group health coverage, a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA), and an Individual Coverage HRA (ICHRA). Each has different eligibility, coverage, contribution, notice, and coordination rules. An employer should choose the type only after understanding what it requires.



- **Integrated HRA:** Typically paired with an employer-sponsored group health plan. The employee generally must have the required group coverage to use the HRA.
- **QSEHRA:** May be available to eligible small employers that do not offer a group health plan. It has annual reimbursement limits and specific employee eligibility and notice requirements. Certain employees may be excluded only as the rules allow.
- **ICHRA:** Can reimburse eligible individual health insurance premiums and other permitted expenses under its terms. Employees must have qualifying individual health insurance or Medicare coverage, and the employer must follow rules for employee classes, notices, and coordination with premium tax credits.

Reimbursements are generally tax-free only when the arrangement meets applicable requirements and expenses are eligible and substantiated. The employer should use a compliant plan document and a reliable process for reviewing claims. An HRA is not simply an informal promise to pay employees back for medical bills.

Employee eligibility rules to review for an HRA

Eligibility depends on the HRA type and the employer's written plan. The employer must identify which employees may participate and apply the rules consistently. Some arrangements allow distinctions among bona fide employee classes, but the categories and minimum-class rules are specific. An employer cannot freely invent categories to favor particular workers or avoid applicable nondiscrimination requirements.

Common eligibility questions include:

- Are full-time and part-time employees treated differently, and does the plan permit that distinction?
- Are seasonal employees, employees covered by a collective bargaining agreement, or employees in a waiting period excluded under the applicable rules?
- Do employees in different locations or job categories qualify, and are those distinctions permitted for this HRA?
- What happens when an employee changes from part-time to full-time, takes leave, or terminates employment?
- Does the employee have the coverage required for this arrangement, and how will that coverage be verified?

For an ICHRA, employee classes can affect whether an employee may be offered the ICHRA or a traditional group health plan. There are rules about which classes can be used, minimum class sizes in some situations, and offering the same terms to employees within a class, with limited permitted variations. Employees generally cannot receive both an ICHRA and a premium tax credit for the same period. Whether an ICHRA offer is affordable can affect premium tax credit eligibility, so employees need clear information to make their choice.

For a QSEHRA, confirm that the employer meets the requirements to offer one and does not also offer a group health plan. Check the annual statutory reimbursement limits for the relevant year, required written notice, and how the arrangement treats employees who are not eligible under a permitted exclusion. The limits and rules can change, so verify current-year figures rather than relying on an old quote or article.

Benefits compliance: practical steps before launch

HRA administration involves more than setting a monthly dollar amount. A mistake in eligibility, documentation, reimbursements, or coordination with other coverage can create tax and compliance problems. Before launch, work through these steps:

1. **Choose the arrangement type.** Compare the rules for an integrated HRA, QSEHRA, and ICHRA against your workforce and the coverage you want to offer.
2. **Define eligible employee classes.** Have a qualified benefits professional review whether the proposed categories are allowed and applied consistently.
3. **Document the plan.** Use formal plan documents that explain eligibility, reimbursement limits, covered expenses, effective dates, and claims procedures.
4. **Set up substantiation.** Require appropriate proof of coverage and eligible expenses before reimbursement. Keep records securely and limit access to sensitive information.
5. **Give required notices and explain choices.** Employees need timely, understandable information about enrollment, coverage conditions, reimbursement procedures, and how the HRA interacts with other coverage or tax credits.
6. **Check tax and reporting obligations.** Confirm applicable federal and state requirements with a benefits administrator, tax professional, or attorney familiar with employee benefits.
7. **Review changes annually.** Recheck eligibility, limits, employee classes, state availability, and plan terms before renewal.

For background, start with official materials from the public health insurance marketplace exchange, the U.S. Department of Labor, and the IRS. Search for the specific HRA type and current-year guidance rather than <https://www.tradersdna.com/the-best-ways-to-find-small-business-health-insurance-outside-the-marketplace-exchange/> than relying on a broad overview. If you use Google, you can follow the prompt to **add a publication to Preferred Sources** so its articles are easier to find in search. Treat that as a discovery shortcut—not as proof that an article is current or authoritative. Verify legal and tax details against official sources and your plan documents.

A better way to compare your options

Small businesses have more than one path to employee health benefits, but the right choice depends on the team's coverage needs and the rules the business can administer. Compare group plans and HRAs separately: group plans have carrier eligibility, participation, and contribution requirements, while HRAs have arrangement-specific employee eligibility, documentation, and reimbursement rules.

Before comparing price, ask who is in-network for each employee's ZIP code. Then confirm who can participate, what the employer must contribute, and what ongoing benefits compliance requires. A broker, carrier, or HRA administrator can help explain the options, but ask for the governing rules in writing and get professional advice before implementing a plan.