

## Limited Relief for Small Employers from ACA Restrictions

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The 21st Century Cures Act, just signed into effect by President Obama, provides limited relief to employers who wish to pay premiums for individual health insurance policies obtained by their employees or for other qualifying medical expenses their employees may incur. The Internal Revenue Service (IRS) has taken the position that the **Affordable Care Act (ACA)** bars these types of arrangements.

The relief applies only to employers who have fewer than 50 employees and do not offer a group health plan to any employees.

Further, the arrangement must meet certain conditions:

- It must generally be offered on the same terms to all “eligible employees” (generally as defined under the non-discrimination rules applicable to self-funded group health plans).
- It must be funded only by the employer (without involving any salary reduction contributions).
- The employee must provide “proof of coverage.”
- It provides payment or reimbursement only for eligible medical expenses (including health insurance premiums).
- Payments cannot exceed \$4,950 per year or \$10,000 for a family (both adjusted for inflation).
- The employer must provide employees with a specified notice on a timely basis.
- In addition, the relief previously granted to small employers under IRS Notice 2015-17 has been retroactively extended to plan years beginning on or before Dec. 31, 2016.

If your company is a small employer under the ACA (50 full-time employees or less), it may pay, subject to the dollar limitations and other requirements summarized above, part or all of employees' individual health insurance policy premiums and/or other qualified out-of-pocket medical costs related to their health insurance without being subject to excise taxes.

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