



CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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The Honorable Tom Price, M.D.
Member, U.S. House of Representatives
85-C Mill Street, Suite 300
Roswell, GA 30075

Attention:

Dear Representative Price:

I am responding to your inquiry dated January 19, 2016, on behalf of your constituent, . He wrote about whether the Affordable Care Act (ACA) prohibits him from continuing to reimburse the individual health premiums of his sole employee.

The ACA requires group health plans to satisfy certain market reform rules, including the requirement under section 2711 of the Public Health Service Act that they cannot impose an annual or lifetime dollar limit on essential health benefits. In Notice 2013-54, 2013-40 IRB 287, and Notice 2015-17, 2015-14 IRB 845, the IRS stated that an arrangement under which an employer reimburses the individual health insurance premiums of its employees is a group health plan that generally will fail to satisfy the ACA market reform rules.

Nevertheless, a special rule applies when an employer has only a single employee receiving reimbursement. The ACA market reform rules do not apply to a group health plan if the plan has less than 2 participants who are active employees. See Internal Revenue Code section 9831(a)(2). Thus, if provides health coverage to a single employee by reimbursing that employee's individual health policy premiums, the arrangement is not subject to the ACA.

I hope this information is helpful. If you have any questions, please contact me at
or at .

Sincerely,

Victoria A. Judson
Associate Chief Counsel
(Tax Exempt and Government Entities)