



United States House Committee on

**Ways & Means**

**CHAIRMAN JASON SMITH**

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## H.R. 3799 – The CHOICE Arrangement Act

### Custom Health Option and Individual Care Expense (CHOICE) Arrangements

Health Reimbursement Arrangements (HRAs) allow employers to provide tax-advantaged funds to their employees to purchase qualified medical expenses (QMEs). A 2019 Trump Administration rule expanded HRAs to allow employees to purchase their own health insurance plan on the individual market through “CHOICE Arrangements”.

*CHOICE Arrangements have key benefits:*

- Defined contributions to purchase qualified health insurance or QMEs.
- Employer-contributed funds are excluded from federal income and payroll taxes.
- No restrictions on business size or annual contribution limits.
- May be offered to different “groups” of employees.
  - Ex. Part-time, full-time, seasonal, employees in different locations.

### Advantages for Small Businesses: Predictability and Certainty

CHOICE Arrangements are a voluntary option to provide health care benefits where employers can better budget while forgoing the complex process of managing a health insurance plan.

- 87% of small businesses report wanting another way to help their employees get health insurance without offering a traditional group plan.
- 70% of small businesses report not knowing CHOICE Arrangements and other flexible coverage options are available to them.
- Small businesses are twice as likely to utilize CHOICE Arrangements than larger businesses.

### Advantages for Employees: Portability and Choice

- 90% of individuals believe you should be able to take your health plan with you when you leave a job.
- 80% of individuals would prefer a monthly contribution from their employer to purchase their own health plan.
- 80% of small businesses offer only one health plan option.

### H.R. 3799, The CHOICE Arrangement Act (Hern-OK):

- **Codifies the 2019 Trump Administration rule** to permanently provide flexibility and financial certainty to small businesses, while expanding health coverage options for employees.
- Includes H.R. 3798, the Small Business Flexibility Act (Tenney-NY), which requires Treasury to **notify small businesses of the various tax-advantaged health coverage options available** to them, including CHOICE Arrangements, Qualified Small Employer Health Reimbursement Arrangements, and the Small Business Health Care Tax Credit.