SIMPLYHRA | PAYMENT GUIDE

CHOICE (ICHRA) Premium Payments & Reimbursements

How employer funding, employee premium shortfalls, Section 125 rules, and virtual-card carrier payments work -- Reviewed November 2026

Two Distinct Payment Paths: Under a CHOICE (ICHRA) administered by SimplyHRA, monthly insurance premiums are funded onto a pre-funded virtual Visa card for direct carrier billing, while eligible Section 213(d) medical claims (when covered by your plan) are submitted separately with itemized receipts.

1. Four-Step Monthly Insurance Premium Payment Flow

Step	Action	How It Works
01	**Employer Authorizes Funding**	Each month, the employer authorizes funding for active employee CHOICE allowances. Timing depends on bank clearing schedules, authorization, and enrollment verification.
02	**Employee Covers Any Shortfall**	When a chosen health plan costs more than the monthly employer allowance, the employee covers the excess balance separately (after-tax top-up or eligible Section 125 deduction -- see tax rules below).
03	**Virtual Card Pays Carrier**	The combined full monthly premium must be loaded onto the employee's SimplyHRA virtual Visa card before the carrier bills it. Carrier billing dates and acceptance rules still apply.
04	**Monthly Records & Audit Proof**	Transactions and active policy records are documented for IRS Section 105 compliance. Card usage alone does not replace periodic coverage attestation and plan substantiation requirements.

2. Payroll & Section 125 Tax Rules for Employee Premium Shortfalls

Crucial On-Exchange vs. Off-Exchange Rule:

- **Marketplace (On-Exchange) Plans:** IRC Section 125 pre-tax cafeteria plan salary reductions **cannot** be used to pay the employee-paid portion of ACA Marketplace premiums. Shortfalls on Marketplace plans must be paid **after tax**.
- **Off-Exchange Individual Plans:** An employer with a written Section 125 Cafeteria Plan may permit pre-tax payroll salary reductions for the employee portion of eligible **off-Marketplace** individual coverage.
- **Employer Allowance Portion:** Employer CHOICE (ICHRA) reimbursements and contributions up to the written plan allowance are excluded from Form W-2 gross income (Boxes 1, 3, and 5) under IRC Section 105(b).

Medical Expense Claims & Carrier Payment Safeguards

Submitting Section 213(d) reimbursements, preventing duplicate payments, and avoiding carrier grace-period lapses -- Page 2 of 2

3. Separate Path for Medical Expense Claims

If your employer's written CHOICE (ICHRA) includes medical care beyond insurance premiums, medical expenses follow the claim-review workflow rather than virtual premium card charges:

1. **Confirm plan coverage & dates:** The service must occur during a month when you held qualifying individual coverage and were enrolled in the CHOICE plan.
2. **Submit itemized proof:** Upload an itemized provider receipt, pharmacy printout, or carrier Explanation of Benefits showing patient, provider, service, date, and amount owed.
3. **Compliance review & payout:** SimplyHRA reviews eligibility against IRC Section 213(d), written plan terms, and available monthly balance before issuing approved reimbursement.

4. Frequently Asked Questions on Money Movement

Question	Answer
Is the virtual card a general medical debit card?	No. The SimplyHRA virtual Visa card is scoped to eligible health insurance premium payments to your carrier. Out-of-pocket medical claims use receipt-based reimbursement if enabled by your plan.
What happens if a carrier auto-draft fails?	Carriers typically provide a billing retry or statutory grace period, though Marketplace grace rules vary depending on subsidy status. Confirm card funding at least 3 to 5 business days before your carrier's draft date.
Can payroll reports sync into existing payroll software?	SimplyHRA provides clean monthly disbursement and deduction schedules compatible with Gusto, QuickBooks Online Payroll, Rippling, ADP, and other payroll systems using non-taxable Section 105 reimbursement pay codes.
Can an expense be reimbursed twice?	No. Claims already reimbursed by an insurer, HSA, FSA, or another benefit arrangement are strictly ineligible under federal tax rules.

Need Payment or Payroll Guidance? Email **support@simplyhra.com**, call **(909) 284-1673**, or book a 1:1 session at **simplyhra.com/benefits-consultation**.