

ICHRA FAQs (Individual Coverage Health Reimbursement Arrangement)

? What is ICHRA?

- Mechanism which allows employers to *directly reimburse* employees for individual health premiums and qualifying medical expenses tax-free.
- Created in 2019 under the first Trump administration to provide more options for employers to offer coverage to their employees.
- HRA is used to purchase individual coverage with a tax incentive to employees to choose off-exchange coverage (cannot use ICHRA dollars and receive a subsidy).

? What are the benefits of an ICHRA? How does an ICHRA compare to traditional group insurance?

ICHRAs make:

- Costs Predictable — thanks to a much larger risk pool and stable employer contributions.
- Plans Personal — because employees can buy any plan that fits their needs from any carrier on the marketplace.
- Coverage Possible — because with better-controlled costs and less hands-on administration, offering coverage is possible for many more businesses.

? How does an ICHRA work?

- Employers Select a Benefits Platform — Benefits platforms act as an administrator, coordinating transactions, providing decision support to employees, and serving as a place to enroll.
- Employers Define Their Contribution — Employers set an overall budget and the pre-tax contribution for healthcare coverage.
- Employees Shop Marketplace Plans & Enroll — Employees shop plans based on their own unique needs and enroll through your chosen benefits platform.
- Employees Get Reimbursed — Employees are reimbursed for health coverage based on employer-defined contributions

? What happens if employees don't use the allowance provided by employers?

- Because ICHRA is a reimbursement arrangement (and not an account), the employer simply keeps the dollars that were earmarked for reimbursement. Throughout the year, however, the employee's unused allowances accrue, but if the employee never submits receipts for the full reimbursable amount, the employer keeps the funds. Employers have the option to either carry over the funds or reset them at the end of the year.

? What are the pros and cons of an ICHRA

- ICHRA's have several key benefits: cost predictability, personalized employee health plans, more access to coverage for small businesses, plan portability if employees leave, and ACA compliance.
- Like any adjustment to health insurance, ICHRA's require some initial effort to investigate and set up, and require communication with employees in order to explain the change in coverage. That said, ICHRA's require less hands-on administration than group plans once they've been set up. This is because benefit platforms handle the administration work instead of employers.

? Why an ICHRA?

- Annual premiums for Small Group/Employer insurance continue to rise.
- Provides choice to employees, allowing them to choose the right network and benefits they need, and empowers them to shop for insurance.
- Provides an alternative coverage option for employers struggling to afford traditional group coverage and gives them certainty in year over year contribution to their employees.

? Are employees capable of picking a health plan on their own?

- Yes. If you think about all the complicated choices people make each day as consumers (like buying a TV or auto insurance) it's something people navigate all the time in their personal lives. What employees need most is decision support to understand which health plan options are best for them. ICHRA benefit administrators have tools and services to help guide employees, including showing them plans that are similar to what they currently have.

? How much can employers contribute to an ICHRA?

- There are no minimum or maximum contribution limits for an ICHRA. Furthermore, employers can choose to offer different amounts to different groups of employees.

? What types of businesses are best suited for ICHRA's?

ICHRA's are a good fit for employers who:

- Have unaffordable coverage or unsustainable premium increases
- Have a diverse workforce with different healthcare needs
- Want to offer more choice to attract talent
- Have workers in multiple states without a single-carrier solution
- No longer wish to manage health risk among their workforce