

# Introduction to ICHRAs



What is an ICHRA?



How it Works



Administration of an ICHRA



Case Study

# What is an ICHRA?

## Individual Coverage Health Reimbursement Arrangement (ICHRA)

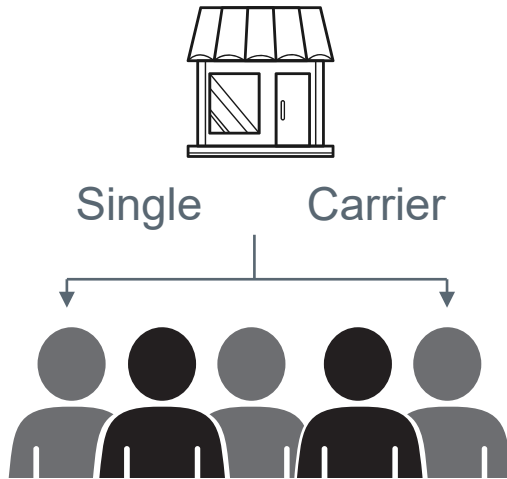
An **employer-funded**, tax free health benefit used to **reimburse** employees for **individual health** insurance premiums.

Allows employers of **any size** to use **pre-tax dollars** to create a **group health plan** that pays for part or all of an employees' individual health plan premiums.

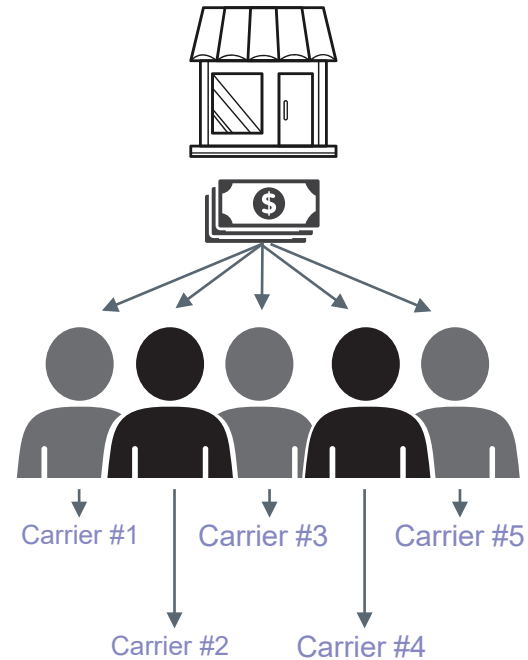
Available as of January 1, 2020

# What is an ICHRA?

## Traditional Carrier Model



## New ICHRA Model



# Group vs. an ICHRA

## Health plan comparison chart

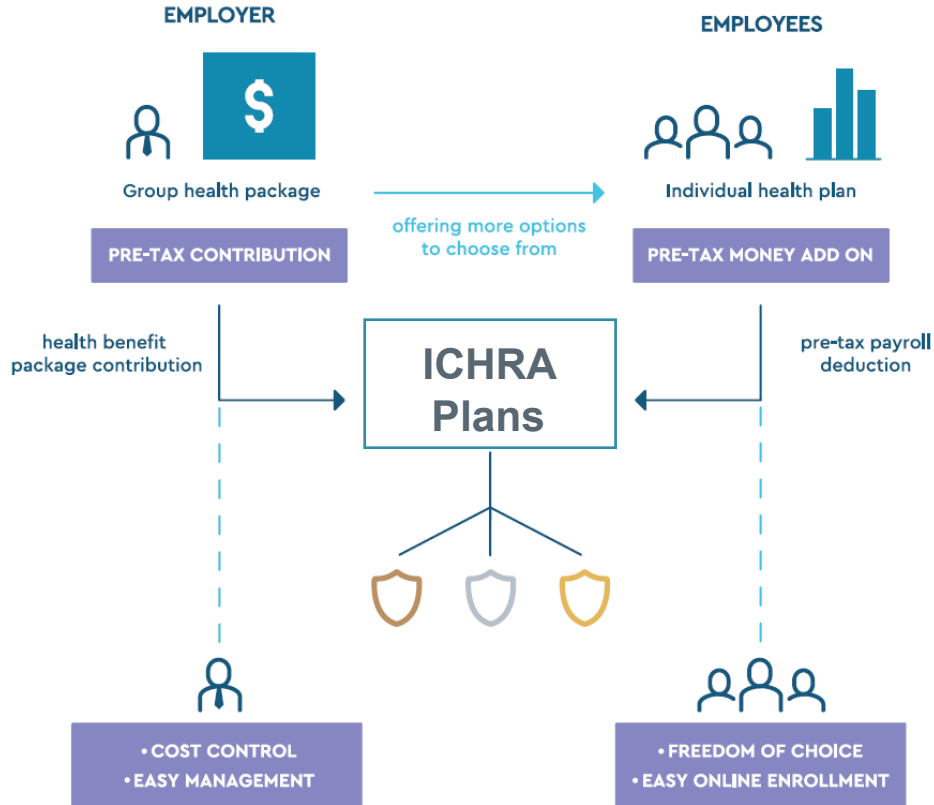
### Traditional Group Benefits

- Annual renewals are cumbersome
- Human resources have to be heavily involved in the administration and management of the employee benefits
- Employees have limited choices of coverage options
- Dependents have to receive the same benefits as the employee
- There are limited plan choices, often only one or two plans

### ICHRA Benefits

- Human resources no longer has to manage or administer benefits for employees
- Employees can find plans that are right for them, and their dependents
- Each employee can pick their own plan, it's no longer a one size fits all health plan
- Depending on the county, employees can choose from many carriers, and 20+ plans

# A 401(k)-style health benefit



## COSTS

- Costs are predictable for you, as you have complete control over the pre-tax contribution amount.

## OPTIONS

- More options for your employees to select from, providing them freedom to shop the individual marketplace for coverage that better suits their needs.

## FREEDOM

- Employees can take the individual health insurance with them if they leave the company.

## BONUS

- If an employee doesn't buy insurance or doesn't use all the money, you get to keep it and no plan participation minimums to worry about.

**The US Treasury department expects that in about five years, 800,000 employers will offer an ICHRA, and more than 11 million employees will have an ICHRA.**

- Attributed to the Center for Medicare & Medicaid Services



- To be covered under an ICHRA, employees (and any family members) must be enrolled in an individual major medical plan, or Medicare.
- For premiums of individual medical coverage to stay as a reimbursable expense under the ICHRA
  - All individual medical plans available in the employees' zip code must be offered
  - Enrollment is the employee's responsibility
  - Benefit selection is the employee's responsibility
- Employer involvement in benefit selection runs the risks of policies being viewed together as an employer sponsored group health plan



# ICHRA Qualified Plans

## Allowed

### Commercial

- Individual/family plans
- Catastrophic ACA plans for under 30
- Student health insurance

## Allowed

### Public

- Medicare plans

## Not allowed

- Association plans
- MEWAs
- TRICARE
- Short-term limited duration plans (STLDI)
- Fixed-indemnity plans
- Health-care sharing ministries

# Question?

*If an employee is offered an ICHRA, are they still eligible for the premium tax credit?*

It depends. Should the ICHRA benefit offered by the employer be deemed unaffordable under the definition laid out by the Affordable Care Act, employees may waive enrollment in the ICHRA and may claim the premium tax credits for use through a federal or state-based health insurance exchange.



# Employer benefits

- Eliminates the guesswork of which plans meet the needs of all (or most) employees
- Gives a competitive advantage in recruiting and retaining good people
- Enables cost predictability
- Removes some of the burdens of managing a health plan and unexpected health risks, off of the employer
- Reduces the administrative stress of handling renewals
- No participation minimums to worry about
- If an employee does not buy insurance or does not use all of the ICHRA money, the employer keeps the money

# Employee benefits

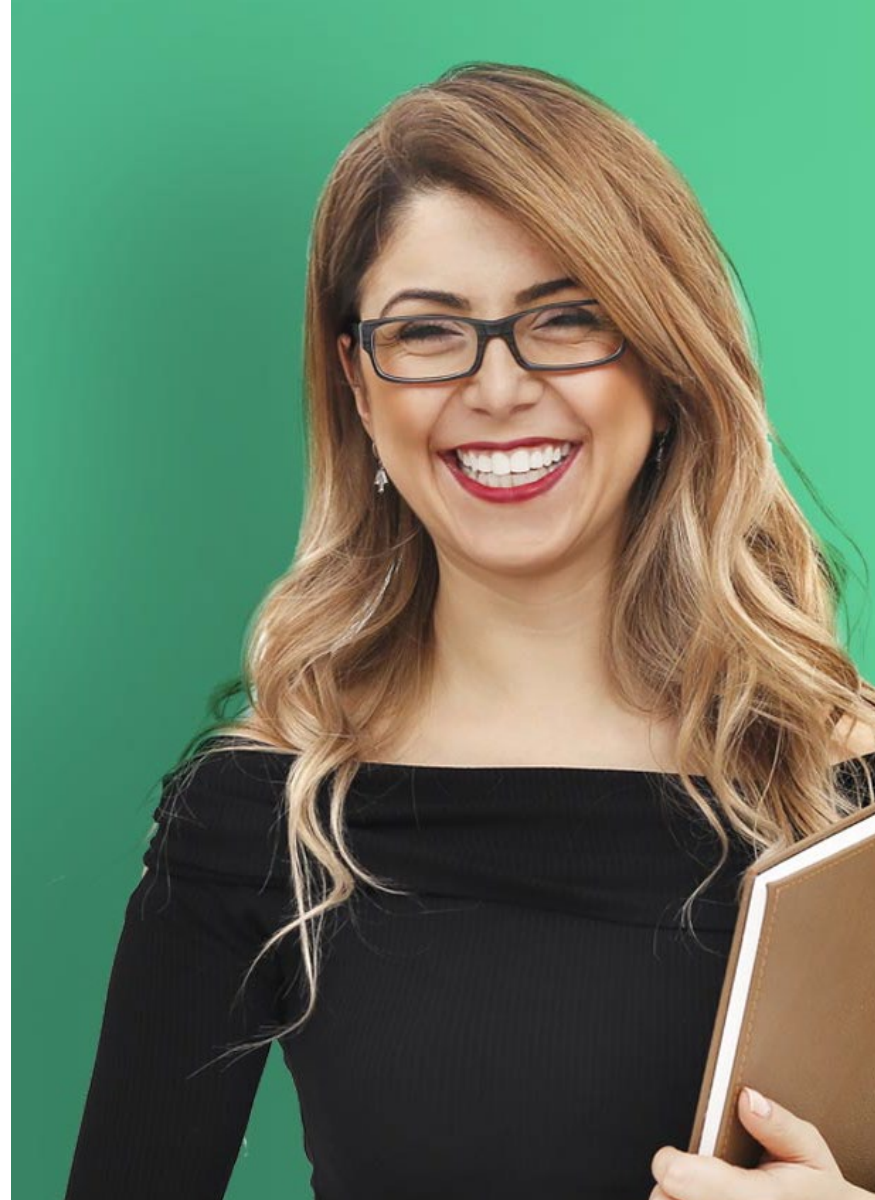
**Presents more plan options** – gives the freedom to choose plans that better suit their needs and price range

**Provides tax advantages** – because reimbursements do not count toward the employees' taxable wages

**Provides plan portability** – employees can take the insurance with them if they leave the company.

**Provides privacy** – health claims data is not shared with the employer

**Creates trust and sense of care** – When employees see their employer taking care of them, by offering funds to help pay for healthcare coverage



# ICHRA key features

- Available to groups of all sizes
- An ICHRA can satisfy the requirements of the Applicable Large Employer (ALE) mandate
- 11 class types available for setup under the ICHRA; an example - hourly vs. salary
- Contribution levels may differ based on family size and/or age groups
- Employers may offer both an ICHRA and traditional group health insurance plan, however not to the same class of employees
- ICHRA reimbursable expenses include premiums for individual major medical, Medicare coverage and section 213d expenses

Employer can choose to structure the eligibility and contribution criteria using 11 employee classes defined by the ICHRA regulations:

1. Full-time employees
2. Part-time employees
3. Seasonal employees
4. Salaried employees
5. Non-salaried employees (such as hourly)
6. Employees covered by a particular collective bargaining arrangement (different bargaining units can be separate classes)
7. Employees who have not satisfied a waiting period
8. Temporary employees of staffing firms
9. Non-resident aliens with no US-based income
10. Employees working in the same insurance rating area (geographic location, state or region)
11. Any combination of two or more of the above

## There are a few rules to ensure the offerings do not discriminate, including:

Employers must offer the same amount of reimbursement to all employees in a class.

Employers cannot offer an ICHRA to an employee who is also offered a group health plan. However, an ICHRA may be offered to one class, such as part-time workers, and group health plans to another, such as full-time.

Should an employer offer a group health plan to a class of employees, class size limitation guidelines must be followed if the employer uses any of the following classes:

- Full-time employees
- Part-time employees
- Salaried employees
- Non-salaried employees
- Employees working in the same rating area

## Eligibility considerations

In these cases, classes must be larger than: (Rounded down to the nearest whole number)

- Ten employees, for an employer with fewer than 100 employees.
- Ten percent of the total number of employees, for an employer with 100-200 employees.
- Twenty employees, for an employer with more than 200 employees.

Also, through a new hire rule, employers can offer new employees an ICHRA while grandfathering existing employees in a traditional group health plan.



# Contribution Strategies

Employers define the monthly amount they want to contribute to the ICHRA; it can be as little or as much as they want. With an ICHRA there are no minimum or maximum contribution limits.

## Contribution examples:

- **Defined Contribution** by giving all employees \$\$\$ per month. May vary by class and status.
- **Define the Employer Contribution** by “benchmarking” to a plan.
- **Define the Employee Contribution** by “benchmarking” to a plan.

Individual market plans for older people typically cost more, so employers may elect to offer higher contribution allowances to older employees. Contribution allowances must be structured using a 1:3 ratio from the youngest to the oldest employee. An employer, for example, may offer a 24 year-old \$100 per month and a 64 year-old \$300 per month.

# Why is there hesitation to offer an ICHRA?

- ICHRAs are new, and groups and brokers need education about this new option.
- Uncertainties of who is a good fit.
- Concerns about compliance and administration of an ICHRA



# Groups that Fit

Small Groups (<50)

Large Groups (50+)  
with higher  
claims/rates

Groups with  
participation issues

Groups with  
contribution  
concerns

Associations,  
Co-Ops,  
Franchises, etc.

Industries such as  
hospitality,  
entertainment,  
seasonal, high-  
turnover, etc.

# Administration of an ICHRA

The items listed, and other administrative tasks, are often time consuming and labor intensive. Self-administration may also leave an employer vulnerable to liability and legal action. Following are a number of areas where an outside administrator may be of great value and service.

It is possible for an employer to administer an ICHRA, keeping in mind that it requires management of a number of important components, including:

- Written Plan Document
- Summary Plan Description (if subject to ERISA)
- COBRA Administration
- Compliance with general HRA and group health plan requirements
- Contribution Allowance Evaluation
- Reimbursement Mechanism
- Record Keeping
- Tax Reporting
- HIPAA privacy and security compliance

## CLIENT OVERVIEW

- Industry:  
Residential Property Management
- Headquarters:  
Minnesota
- Locations:  
MN, ND, SD, WI
- Benefit Eligible Employees: 170

## KEY CHALLENGES WITH PRIOR PLAN

- Current Funding Type:  
Fully Insured
- Renewal Month:  
November
- Enrolled Employees:  
100
- Employer Premium Costs: \$1,238,071
- Employee Premium Costs: \$332,040
- Total Annual Premium: \$1,570,111

## CLIENT GOALS

- #1. Reduce cost
- #2. Simple contribution strategy
- #3. Offer greater choice to employees

## The Results

**#1: Reduced the overall premium costs by 54.1%, or \$849,894.**

**#2: The broker and client collaborated on a unique contribution strategy.** The contributions were "benchmarked" to Gold metal level individual plans in each market. The employee monthly premium contributions for that plan:

Employee only	\$170 per month
Employee + Spouse	\$680 per month
Employee + Child(ren)	\$370 per month
Family	\$680 per month

Employees had the opportunity to "buy up" or "buy down," selecting a plan that best fit their needs. Their pre-tax payroll deductions would vary accordingly.

**#3: Employees selected 33 different benefit plans with 7 different carriers.** Enrollment compared to the previous plan enrollment increased from 100 to 108 employees.

**#4: Trovia helped the employees shop and compare, select, and enroll in a health insurance plan that best fit their needs.** Premiums were payroll deducted on a pre-tax basis and paid directly to the carriers.

## THE FINANCIAL RESULTS\*

	Prior Plan	Trovia	Savings	% Change
Employer Premiums	\$1,238,071	\$618,892	<b>\$619,179</b>	50.0%
Employer Other Cost	—	\$60,000	<b>(\$60,000)</b>	—
Employee Premiums	\$332,040	\$101,325	<b>\$230,715</b>	69.5%
Total Cost	\$1,570,111	\$780,217	<b>\$789,894</b>	50.3%

## NOTEWORTHY KEY METRICS\*

The prior rates reflected do not include the projected renewal increase, so the **actual employer savings was in excess of 50%**!

**Employees saved an average of \$2,307** per year due to the lower premiums and greater choice of health plan options.

The employer **saved an average of \$5,592** per covered employee.

\* Financial Results and Key Metrics summaries assumes 100 employees (vs. 108) for comparison purposes.



## Questions?

If you are interested in receiving more information about ICHRAs or ICHRA administration, please contact:

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