

ICHRAs FAQ

Q: Health Reimbursement Arrangements (HRAs) aren't a brand-new concept. How is this different?

A: Though HRAs have been in existence for a long time, ICHRAs were established in early 2020 as an expanded type of HRA. ICHRAs give employers flexibility to determine reimbursement amounts and employee classes. With ICHRA, employees can use their HRA towards qualified individual coverage health insurance premiums and/or qualified medical expenses.

Q: Simply, how does a ICHRA really work?

A: Once the employer sets up their customized health benefit design for the ICHRA, enrolling employees would go out and purchase their own qualified health plan. The employer then has a set allowance amount that will reimburse the employees either for health insurance premiums and/or other qualified medical expenses.

Q: What is better, an ICHRA or a group health plan?

A: ICHRA can be very advantageous for employers, but it really depends on business priorities to determine the best fit for the company. Offering an ICHRA gives the employer many benefits over a group plan such as: cost control, plan customization and flexibility, risk management, network flexibility, plan portability, plan choice, and employee experience with individual plans. However, some perceived "cons" could be: Most individual plans have narrow provider networks, premium pricing currently is higher on average in the individual market.

For CGHC plans, we offer an Exclusive Provider Organization (EPO) network which is considered to be "narrow;" however, our EPO network features either the 1st or 2nd provider organization in the county in 21 of our 22 counties. This may not be an issue for many employees. Additionally, we have decreased our premiums for 3 consecutive years, valuing affordability and responsible premium pricing.

Q: What are the key benefits of an ICHRA?

A: The key benefits of an ICHRA are:

- No group size limit
- Employees have more plan options to choose a more personalized plan
- Simpler and more flexible benefit design options
- The ICHRA is a fixed cost, which helps with budget control
- Employers can offer varying allowance amounts according to the 11 classes

Q: What medical expenses are reimbursable through an ICHRA?

A: Qualified medical expenses that are reimbursable through an ICHRA are any medical costs towards preventing or treating physical or mental ailment, but not for maintaining general health.

Q: What are employee classes and how do they work?

A: Employee classes are really just a group of employees with similar "employment status" that have the same reimbursement rules for their ICHRA within each class. Employers can create these rules for 11 different types of employees. For example, an employer can have one set of reimbursement rules for

full-time employees and another set of rules for part-time employees. Classes cannot be used to discriminate or avoid risk on an existing group health plan.

Q: Can an employer offer a group health plan and an ICHRA at the same time?

A: Yes, an employer can offer both a group health plan and an ICHRA but they cannot offer the ICHRA to the same class of employees who are eligible for the group health plan. Employees in each class are offered only one health insurance solution (an ICHRA or a group plan, but not both together).

Q: Are there minimum class size requirements?

A: Yes, but only for employers that want to offer both an ICHRA and a group health plan at the same time. The size of the employer determines the class size minimum.

Employer Size	Class size minimum
Less than 100 employees	10 employees per class, minimum
100-200 employees	10% of employees rounded down to whole number, per class
200+ employees	20 employees per class, minimum

Q: Can part time employees qualify for an ICHRA allowance? Does it have to be the same for all employees?

A: Yes, if determined by the employer, part time employees can get an ICHRA allowance. The HRA allowance does not have to be the same for all employees. This is when employee classes are beneficial to the employer.

Q: How can a group be sure their ICHRA allowance is “affordable” under the Affordable Care Act?

A: An ICHRA is considered to be “affordable” by the IRS if the amount that an employee has to pay out-of-pocket for a silver plan on the exchange is less than 9.83% of the employee’s household income. When designing the ICHRA allowance, employers can use this calculation to determine affordability:

$$\text{Affordable HRA Contribution} > \text{Lowest Cost Silver Plan} - (9.83\% \times \text{Employee Household Income})$$

Q: Are there specific plan requirements for employees in order to participate in the ICHRA?

A: Yes. In order to participate in an ICHRA, the employee must enroll in an ACA qualified individual health plan that has no annual or lifetime limits and covers the 10 essential health benefits. This gives employees many options in the individual market; however, they could not use the ICHRA for their employer’s plan, for a short-term plan, or for a Christian ministry plan.

Q: Can the employer pay the premium directly to CGHC?

A: Yes. In short, while Common Ground Healthcare Cooperative has an agreement with the individual subscriber (employee), CGHC can accept premium payments from employers on behalf of their employees. CGHC requires one payment per each employee. The remittance must include the policy holders name, and the policy holder’s member number. Of note, any premium refunds will be made to the policy holder and not the employer.

Q: Are there any limitations for a non-profit that wants to offer an ICHRA?

A: No, a non-profit would follow the same requirements as a for-profit group.

Q: How does COBRA work with an ICHRA? Does the employee pay for the benefit after employment is terminated? Would the employer be required to continue paying for their coverage at no cost to the former employee?

A: Since the policy is purchased by the employee, it is therefore the employee's policy to keep even without the HRA contribution from the employer. The employer is not required to continue making reimbursements but the employee would have the option to make the HRA contribution to the employer so the employer can use that to make payments with no employer contribution.

Q: Who owns the HRA funds? Who owns the legal agreement?

A: The employer owns the funds since the employer makes the reimbursement to the employee once proof is provided. The Legal Agreement is an internal document that is also kept by the employer.

Q: Can the employer combine a Section 125 Premium Only Plan for the employee's portion of the premium payment to be deducted pre-tax? If the employer offers an ICHRA but the employee purchases their plan 'on exchange' without a tax credit is the employee portion able to be run through the Premium Only Plan?

A: Yes, the employee can purchase on or off exchange, they just cannot receive any Marketplace subsidies with an ICHRA.

Q: Would a ICHRA be available for only one employee?

A: There are no participation requirements for ICHRAs. If employees decide not to use the benefit, there is no cost or concern for the plan. There may be administration costs to the employer if using a TPA to administer. The employer will also want to be sure they are meeting all ICHRA requirements for eligibility.

Q: What is the general cost for an employer to administer an ICHRA through a Third-Party Provider (TPA)?

A: The cost to work with a TPA varies depending on the TPA, group size and services received. The following are TPA landing pages to generate a cost estimate today:

- a. <https://www.peoplekeep.com/pricing>
- b. <https://www.takecommandhealth.com/reimbursement-platform>
- c. <https://www.dbsbenefits.com/services/health-reimbursement-arrangements/>
- d. <https://www.tasconline.com/products/tasc-hra/>

Q: Are small group insurers like CGHC allowing groups to only offer coverage to a class of employees? Example, would CGHC allow a group plan for 10 salaried employees while the group does not offer it to 30 hourly employees, instead setting up an ICHRA for them?

A: Yes, CGHC is allowing groups to only offer coverage to a class of employees.

Q: For the Minimum Class Size rule with ICHRA, what would happen if a class dropped below the minimum class size during the coverage period?

A: The size of the group is determined by the employer count on the first day of the plan year. If a class drops under the minimum class size after the ICHRA is established, they will still be able to continue the ICHRA. On the ICHRA renewal date, the group will then have to ensure they meet minimum class size to continue offering the ICHRA.

Q: Can you reimburse HSA deductibles in an ICHRA?

A: No, the plan deductible cannot be reimbursed with an HSA plan.

Q: How often can the employer adjust the contribution amounts?

A: The employer can adjust the contribution amounts annually.

Q: Can you use the allowance amount to pay a Medicare Supplement plan premium or a Prescription Drug plan premium?

A: Yes, to participate the employee must be covered by either Medicare Part A and Part B together or Part C. The allowance amount may then be used to reimburse premiums for Medicare Supplemental health insurance, as well as other medical care expenses. (Premiums for Parts A, B, C, D, and Medigap policies are all eligible for reimbursement)

Q: Is the reimbursement amount counted as income and taxable?

A: The reimbursement is a pretax contribution from the employer, so it is not taxable income to the employee.

QSEHRAs FAQ

Q: Health Reimbursement Arrangements (HRAs) aren't a brand-new concept. How is this different?

A: Though HRAs have been in existence for a long time, QSEHRAs were just established in 2017 to allow small employers to give their employees more choice and flexibility with their HRA. With QSEHRAs, employees can use their HRA towards qualified individual coverage health insurance premiums and/or qualified medical expenses.

Q: Simply, how does a QSEHRA really work?

A: Once the employer sets up their customized health benefit design for the QSEHRA, enrolling employees would go out and purchase their own qualified health plan. The employer then has a set allowance amount that will reimburse the employees either for health insurance premiums and/or other qualified medical expenses.

Q: What is better, a QSEHRA or a group health plan?

A: QSEHRAs can be very advantageous for employers, but it really depends on business priorities to determine the best fit for the company. Offering a QSEHRA gives the employer many benefits over a group health plan such as: cost control, plan customization and flexibility, network flexibility, plan portability, plan choice, and employee experience with individual plans.

For CGHC plans, we offer an Exclusive Provider Organization (EPO) network which is considered to be “narrow;” however, our EPO network features either the 1st or 2nd provider organization in the county in 21 of our 22 counties. Additionally, we have decreased our premiums for 3 consecutive years, valuing affordability and responsible premium pricing.

Q: What are the key benefits of a QSEHRA?

A: The key benefits of a QSEHRA are:

- Employers don't have responsibility for health risks
- Employees have more plan options to choose a more personalized plan
- Simpler and more flexible plan design options
- The HRA is a fixed cost, which helps with budget control
- Employees can take advantage of Advanced Premium Tax Credits (APTC) while also participating in the HRA

Q: What medical expenses are reimbursable through a QSEHRA?

A: Qualified medical expenses that are reimbursable through a QSEHRA are any medical costs towards preventing or treating physical or mental ailment, but not for maintaining general health.

Q: Can an employer offer a group health plan and a QSEHRA at the same time?

A: No, an employer cannot offer both a group health plan and a QSEHRA to separate groups of employees because employers are not able to split their employees into classes like they can with an ICHRA. All employees can only be offered one health insurance solution (either a QSEHRA or a group health plan, but not both together).

Q: Can part time employees qualify for a QSEHRA allowance? Does it have to be the same for all employees?

A: Yes, if an employer chooses to include part time employees, they can be eligible to receive the QSEHRA allowance based on the employer's benefit design. If the employer determines that part time employees qualify, the reimbursement must be the same for all employees.

Q: Are there specific plan requirements for employees in order to participate in the QSEHRA?

A: Yes. To participate in the QSEHRA, the employee must enroll in an ACA qualified individual health plan that has no annual or lifetime limits and that includes the 10 essential health benefits. This gives employees many options in the individual market; however, they could not use the QSEHRA for a short-term or Christian ministry plan.

Q: Can the employer pay the premium directly to CGHC?

A: Yes. In short, while Common Ground Healthcare Cooperative has an agreement with the individual subscriber (employee), CGHC can accept premium payments from employers on behalf of their employees. CGHC requires one payment per each employee. The remittance must include the policy holders name, and the policy holder's member number. Of note, any premium refunds will be made to the policy holder and not the employer.

Q: Are there any limitations for a non-profit that wants to offer a QSEHRA?

A: No, a non-profit would follow the same requirements as a for-profit group.

Q: How does COBRA work with a QSEHRA? Does the employee pay for the benefit after employment is terminated? Would the employer be required to continue paying for their coverage at no cost to the former employee?

A: Since the policy is purchased by the employee, it is therefore the employee's policy to keep even without the HRA contribution from the employer. The employer is not required to continue making reimbursements but the employee would have the option to make the HRA contribution to the employer so the employer can use that to make payments with no employer contribution.

Q: Who owns the HRA funds? Who owns the legal agreement?

A: The employer owns the funds since the employer makes the reimbursement to the employee once proof is provided. The Legal Agreement is an internal document that is also kept by the employer.

Q: Would a QSEHRA be available for only one employee?

A: There are no participation requirements for QSEHRAs. If employees decide not to use the benefit, there is no cost or concern for the plan. There may be administration costs to the employer if using a TPA to administer. The employer will also want to be sure they are meeting all QSEHRA requirements for eligibility.

Q: What is the general cost for an employer to administer a QSEHRA through a Third-Party Provider (TPA)?

A: The cost to work with a TPA varies depending on the TPA, group size and services received. The following are TPA landing pages to generate a cost estimate today:

- a. <https://www.peoplekeep.com/pricing>
- b. <https://www.takecommandhealth.com/reimbursement-platform>
- c. <https://www.dbsbenefits.com/services/health-reimbursement-arrangements/>
- d. <https://www.tasconline.com/products/tasc-hra/>

Q: Since employees can get subsidies with the QSEHRA, does the employer get to deduct HRA contributions for tax purposes. Can employees also deduct their health plan premiums?

A: Yes, the employer can claim a tax deduction for any reimbursements they make in the QSEHRA. As far as if the employees can claim a tax deduction, we would defer that question to a tax expert.

Q: Can you reimburse HSA deductibles in a QSEHRA?

A: No, the plan deductible cannot be reimbursed with an HSA plan.

Q: How often can the employer adjust the contribution amounts?

A: The employer can adjust the contribution amounts annually.

Q: Who might choose QSEHRA over an ICHRA?

A: QSEHRAs offer some advantages that ICHRAs do not that the group will want to take into consideration. Such as the potential of receiving Marketplace subsidies and option to cover a spouse's health plan expenses.

Q: Can you use the allowance amount to pay a Medicare Supplement plan premium or a Prescription Drug plan premium?

A: Yes, to participate the employee must be covered by either Medicare Part A and Part B together or Part C. The allowance amount may then be used to reimburse premiums for Medicare Supplemental health insurance, as well as other medical care expenses. (Premiums for Parts A, B, C, D, and Medigap policies are all eligible for reimbursement)

Q: Is the reimbursement amount counted as income and taxable?

A: The reimbursement is a pretax contribution from the employer, so it is not taxable income to the employee As long as the employee is enrolled in an ACA qualified individual health plan that has no annual or lifetime limits and that includes the 10 essential health benefits.