



WHAT IS AN INDIVIDUAL COVERAGE HEALTH REIMBURSEMENT ARRANGEMENT (ICHRA)?

An Individual Coverage Health Reimbursement Arrangement (ICHRA) is a type of health reimbursement arrangement that an employer can set up to reimburse employees for individual health insurance rather than buying a traditional group plan. The basics of an ICHRA are:

1. Employers design their ICHRA program, including defining which "classes" of employees are eligible and establish their reimbursement contributions and limits.
2. Employees purchase the qualified individual insurance plans they want from participating options.
3. Employees submit evidence of coverage and/or claims for reimbursement from the employer's HRA.
4. Employers reimburse employees for insurance premiums or qualified medical expenses.
5. Employer's reimbursement amount is tax-free.

Offering an ICHRA can benefit both employers and employees. Employers benefit through tax deductions for healthcare and insurance payment contributions. In addition to this tax benefit, ICHRAs can make healthcare costs more predictable and controllable for employers. And, employees benefit by receiving employer-sponsored healthcare premium contributions and having the choice out of many individual insurance plan options based on their needs.

ICHRA BASICS

- ✓ Any business (of any size) can participate.
- ✓ There is no contribution maximum for ICHRAs.
- ✓ All employees can be eligible based on the employee class determined upon ICHRA design. (Employees must be offered the HRA equally within their class).
- ✓ A group plan can be offered by the employer as long as it's not offered to the same employee class that receives the ICHRA.
- ✓ Employees can receive different HRA contribution amounts. The contribution amount can only be adjusted based on employee class, age, and family size.
- ✓ Employees participating in the ICHRA are not eligible for Advanced Premium Tax Credit (APTC).
- ✓ Employees must have individual health insurance to participate.

Employers will want to work with a health insurance broker and/or a third party administrator (TPA) to design and implement the ICHRA. Interested in setting up an ICHRA for your organization? Contact our sales team or your broker to learn more and get started with a Third Party Administrator!

