



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!



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.

ICHRA vs. QSEHRA

ICHRA and QSEHRA are two variations of health reimbursement arrangements (HRAs) that can serve businesses differently depending on the employer's priorities and employee composition. Use this comparison to generally understand those differences.

	ICHRA	QSEHRA
Business Size limits	No employee size limit. Any business can participate.	The business must have fewer than 50 full-time employees.
Can an employer offer both HRA and traditional health coverages?	Yes; however, the group plan and HRA cannot be offered to the same employee "class." One class can be offered an ICHRA program and another can be offered a traditional group plan.	No; a QSEHRA cannot be offered with a group plan.
Is there a maximum contribution?	There is no contribution maximum for ICHRAs.	Contribution maximums for QSEHRAs can change annually. In 2021, maximum contributions are: <ul style="list-style-type: none"> • Single: \$5,300 • Family: \$10,700
Who is eligible for the HRA?	All employees are eligible based on the employee class determined by the employer and plan design of the ICHRA. Employees must be offered the HRA equally within their class.	Full-time employees are automatically eligible for the HRA; employers may choose if part-time employees are eligible. The HRA must be on the same terms for all eligible employees.
Can employees get different contributions?	All employees are eligible. The HRA amount can be adjusted based on employee class, age, and family size.	Contributions can vary based on family status, age, and family size, but not based on employee class.
Do ACA Marketplace Advanced Premium Tax Credits (APTC) apply for eligible employees?	Employees participating in an ICHRA plan are not eligible for Advanced Premium Tax Credit (APTC).	Employees are eligible to receive the Advanced Premium Tax Credit (APTC) through the marketplace, but the tax credit is reduced by the amount of the HRA contribution.
Do employees need to elect insurance coverage to participate in the HRA?	Yes. Employees must have a qualified individual health plan to participate.	Yes. Employees must have a qualified individual health plan to participate.

Once employers decide which HRA can best serve their business, HRA plan administrators can help with creating employee classes, plan administration, and with legal and tax implications. Common Ground Healthcare Cooperative (CGHC) is an individual healthcare coverage carrier known for outstanding customer experience. We are here to best support employees with choosing the right plan and getting the most out of their benefits.

