



ICHRAs: A Potential Health Coverage Alternative?

There's growing interest around Individual Coverage Health Reimbursement Arrangements (ICHRAs), but there are several factors to consider when evaluating if this is the right fit for your company and employees.

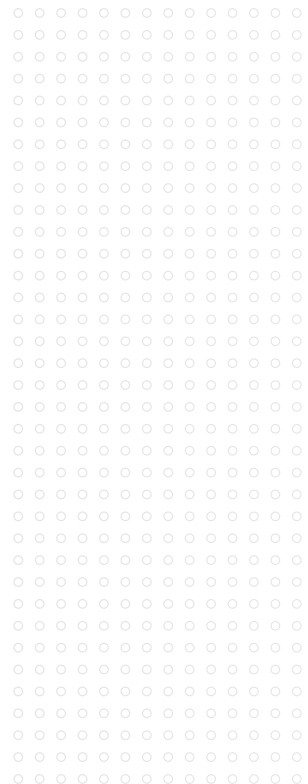
Here's what you need to know:

Individual Coverage Health Reimbursement Arrangements (ICHRAs) are a new type of health reimbursement arrangement in which employers of any size can reimburse employees for some or all of the premiums that the employees pay for health insurance.

Employers can reimburse employees tax free for individual health insurance, including coverage purchased on federal or state-sponsored health insurance exchanges, the individual markets, or Medicare.

And under federal rule changes in 2019, ICHRAs can be structured to fulfill the employer mandate under the ACA that requires providing most organizations offer "affordable" coverage for employees.

As healthcare costs continue to rise, employers are seeking ways to control costs. Meanwhile, many employees — particularly those younger and lower-paid — have opted out of employer-sponsored plans because of the expense, causing HR teams to reevaluate benefits options.



In addition, the Biden Administration is working to enhance the ACA with financial support to provide additional coverage options.

Due to these factors, ICHRAs are seen as an alternative to traditional, employer-sponsored health insurance. Approximately some 800,000 employers and 11 million employees and their families were expected to gain coverage with ICHRAs.¹

Why consider an ICHRA?

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| 1 | Eliminate claim risk and cost unpredictability. Fixed employee contributions results in more effective budgeting and cost management. |
| 2 | Reduced administrative burden of designing and managing a group health plan. Employees select the carrier and plan that best meets their needs. |
| 3 | Offer health benefits to part-time and hourly employees. Attract and retain part-time and hourly employees by offering them an ICHRA plan with flexible employer contributions. |
| 4 | Meet ACA employer mandate requirements and avoid ACA penalties. |

What to consider

While there are no absolute guidelines in evaluating ICHRAs, there are a few important considerations to evaluate prior to moving this direction.

- **What are your objectives?** Lowering spending on health benefits is a primary objective but shouldn't be the only one: It's also important to consider current workforce needs along with providing benefits a competitive benefits package to attract new talent to the organization.
- **Can an ICHRA meet compliance requirements?** The issue is whether an employer can meet compliance requirements in offering an ICHRA option, such as meeting the affordability requirement under the ACA. Expert insight is usually essential in determining compliance.

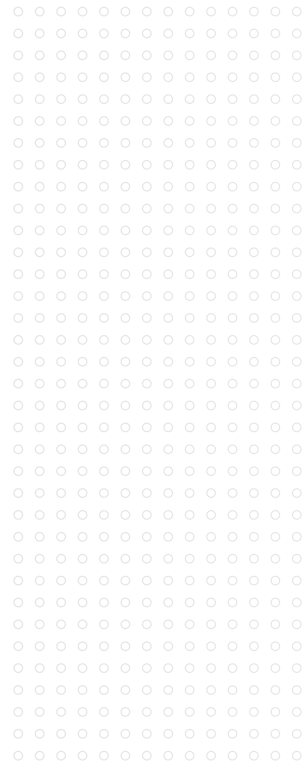
¹ HHS.gov, "U.S. Departments of Health and Human Services, Labor, and the Treasury Expand Access to Quality, Affordable Health Coverage Through Health Reimbursement Arrangements." June 13, 2019.

○ **How do you plan to administrate an ICHRA?** A solid technology platform solution to facilitate enrollment and administration is essential. Compliance, employer and employee tools are key components of such a solution, as is premium handling and reconciliation.

○ **Are employees on board?** An ICHRA may increase overall participation while lowering costs for the organization, but the transition from group to individual insurance represents an enormous change. Improved communications and employee education are essential to ensure a smooth experience over time.

ICHRA's can be a viable alternative to traditional group health benefits for some organizations and employees that may not be able to afford it otherwise. Understanding all aspects of an ICHRA; financial, compliance, technology and carrier or plan availability in the market, is critical to its success.

Your broker or consultant should be well educated on all components and have compliance and technology expertise to help make the right decision for your organization.



HUB International's employee benefit specialists consult with employers of all sizes and in all industries on every aspect of employee benefits program planning and management.

