

Employer Guide to ICHRA's

What is an ICHRA?

ICHRA (“ik-rah”) is shorthand for “Individual Coverage Health Reimbursement Arrangement.” ICHRA’s allow employers to reimburse employees a fixed amount of money each month for health insurance premium and health care related out-of-pocket expenses if they purchase their own health insurance plan. They are an alternative way of providing quality health insurance benefits to employees with the same tax benefits of a traditional group plan.

Who Can Offer an ICHRA and Who Can Participate?

Employers of any size may offer an ICHRA to any type of worker including full time and part time employees as well as independent contractors.

What Makes an ICHRA Different?

Employers don’t select the insurance company or the plan(s) when using an ICHRA for health insurance benefits. They simply determine how much they want to contribute towards the benefit and employees select their own insurance company and plan. Plan rates are community rated and not subject to underwriting, claims experience, or health conditions. If an employee applies for a plan, the insurance company is obligated to sell them the plan at the published rate.

Advantages of an ICHRA

Many employers and employees realize immediate cost savings when transitioning to an ICHRA. In some cases, savings are significant. Because employees are free to choose their own insurance company and plan, employers aren’t stuck having to choose between reducing benefits or increasing employee costs to keep budgets intact. This results in superior budget control and predictability. Most importantly, employees are free to buy a plan that makes them happy, one that matches their unique circumstances and preferences.



**TAKE CONTROL
OF YOUR HEALTH
INSURANCE
BUDGET**

Employer Obligations

When offering an ICHRA, employers must:

- » have an ICHRA plan document prepared and make it available to employees
- » provide employees notice of the ICHRA plan prior to the initial effective date
- » provide employees the notice at least 90 days in advance of each subsequent plan year
- » give employees the option to “opt out” of the plan within the notice
- » have a section 125 plan in place that allows employee contributions to be deducted pre-tax

Employee Obligations

To receive benefits under an ICHRA, employees must:

- » purchase a qualified plan (see Health Plans that Qualify for ICHRA Reimbursement)
- » submit proof of expense when requesting reimbursement of a qualified expense
- » opt-out if they desire to secure a federal subsidy in lieu of an ICHRA contribution



Health Plans that Qualify for ICHRA Reimbursement

Premium for “individual health insurance plans” that provide minimum essential coverage as defined by the Affordable Care Act qualify for ICHRA reimbursement.

In most states, there are several dozen unique plan designs available to employees, including HSA eligible and traditional Co-Pay plans. In addition, Medicare Parts A, B, C, and D, and Medicare Supplements also qualify unless specifically excluded in the plan document. Premiums for group health plans, dental plans, and vision plans do not qualify for ICHRA reimbursement.



Out-of-Pocket Expenses that Qualify for ICHRA Reimbursement

Out-of-pocket medical, dental, and vision expenses (defined by IRS code 213(d)) including co-pays, deductibles, and co-insurance qualify for reimbursement. Employers can exclude reimbursement for out-of-pocket expenses, limit reimbursement to the amount of funds available after premium is reimbursed, or reimburse an additional amount that is over and above the premium reimbursement.



Paying Premiums

Employers may pay insurance companies on behalf of each employee and payroll deduct the employee contribution if their premium exceeds the employer contribution. This method has the advantage of a familiar “group plan” feel to employees. Alternatively, employers may require employees to pay the entire premium and submit a reimbursement request for the employer contribution. This method creates cash flow and inconvenience issues for some employees.



FSA and HSA Compatibility

ICHRA’s are compatible with both health care flexible spending accounts and health saving accounts. Employers can offer one or both in conjunction with an ICHRA.



Determining the Employer Contribution

An effective strategy starts with identifying and prioritizing the objectives of providing the benefit. Because individual premiums for qualified plans are “age-rated” (they increase with age), the most equitable approach is to calculate age specific contributions. This ensures younger and older employees are paying the same on a percentage of premium basis. Contributions can be provided to each covered employee and each dependent or can be limited to only covered employees.



Affordable Care Act (ACA) and COBRA Compliance

ICHRA plans are considered ACA compliant as all qualified plans provide minimum essential coverage and employer contributions can be structured to be affordable. COBRA also applies for employers subject to ERISA law. However, state continuation does not apply.



Keys to a Successful Transition

Although the ICHRA plan year resets on January 1st, making the transition to an ICHRA can be done any time during the year. Effective employee education, making it easy for employees to find and purchase their plan, and paying premiums on behalf of employees with a payroll deduction process to capture employee contributions are the keys to success.

The ICHRA Transition Road Map from LS & VIP

1

REQUEST:

You request a free ICHRA Analysis from us.

2

DISCOVER:

We collect a little information about your employees and benefits, then prepare your customized ICHRA analysis.

3

REVIEW:

Together we review the results and determine your best path forward.

4

GREEN LIGHT:

When the light turns green, we proceed to make it easy for you and your employees by:

- » helping you finalize your contributions
- » producing the required plan documents
- » building a world class employee shopping web site
- » educating your employees on what to expect
- » helping employees find a plan that makes them happy
- » facilitating premium payments
- » proactively supporting your new hires, terms, and life events
- » ensuring accurate deductions
- » making COBRA compliance a snap
- » producing your annual 1095 forms

5

ARRIVE:

Together we reach your final ICHRA destination of high quality, budget friendly, hassle free health insurance.