



Control costs and provide employees more choice with the new ICHRA

The Individual Coverage Health Reimbursement Arrangement (ICHRA) is changing the way employers offer health benefits to their employees. Starting January 1, 2020, employers can take advantage of the new ICHRA regulations which significantly expand the usability of health reimbursement arrangements (HRAs).

Through an ICHRA with Gravie¹, employers can offer their employees money in a tax-advantaged arrangement that they can use to purchase individual health insurance plans. The ICHRA provides employers more flexibility and their employees more personalized coverage than they would have with a traditional, one-size-fits-all group health plan.

How it works:

1. The employer determines their employees' eligibility requirements and how much money they want to contribute to each class of employees via the ICHRA to purchase individual health insurance.
2. Employees use money from their ICHRA to purchase individual health insurance. Gravie offers support during the purchase process through an online portal or by phone.
3. When permitted, Gravie will pay carriers using the employer's ICHRA contribution and the employees' payroll deductions (if applicable). In other cases, Gravie will deposit these funds directly into employees' bank accounts.

Both the employer and employees benefit from an ICHRA:

- **Cost control:** The employer determines their health benefits budget and how much they want to contribute to each employees' ICHRA, allowing them to control costs.
- **Choice:** Employees choose the individual health insurance plan that meets their unique health needs, lifestyles, and budget.
- **Less Administrative Work:** Employees work directly with Gravie and their insurance carrier, reducing administrative work for the employer.

¹ICHRA's are administered and managed through Gravie Administrative Services LLC, a licensed third-party administrator. Individual health insurance policies are sold through Gravie Agency LLC, a licensed insurance producer agency.

Frequently Asked Questions

What is the difference between a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) and an Individual Coverage Health Reimbursement Arrangement (ICHRA)?

- The QSEHRA can only be offered by businesses with fewer than 50 employees, while the ICHRA can be offered by all employers regardless of size.
- The QSEHRA has annual contribution limits, while the ICHRA does not.
- The ICHRA is an employer-sponsored group health plan subject to the Employee Retirement Income Security Act (ERISA), while the QSEHRA is not.
- With an ICHRA, both the employer's HRA contributions and employees' payroll deductions may be tax-advantaged.

What are the differences between an ICHRA and a traditional Health Reimbursement Arrangement (HRA)?

A traditional HRA needs to be integrated with a traditional group health plan, while an ICHRA works in conjunction with individual insurance plans, and employers that offer an ICHRA cannot offer a group health plan to the same class of employees.

As an employer, how do I know if I qualify to offer an ICHRA?

All businesses are eligible to offer an ICHRA plan as long as 1) a QSEHRA or Excepted Benefit Health Reimbursement Arrangement (EBHRA) is not already offered and 2) a traditional group plan and an ICHRA are not offered simultaneously to the same class of employees.

If I am the owner or more than 2% shareholder of an S corporation, am I eligible to participate in the ICHRA?

No. Owners or more than 2% shareholders of an S corporation are generally not eligible to participate in the ICHRA on a tax-advantaged basis.

Can employees choose any individual health plan?

- Employees who use the ICHRA must select an Affordable Care Act (ACA) compliant individual health insurance plan or enroll in Medicare Part A and Part B, or Part C.
- If an employee also takes advantage of pre-tax payroll deductions under a Section 125 cafeteria plan, the individual insurance plan cannot be purchased on a federal or a state-based health insurance exchange.

What are my responsibilities as an employer?

- Notify eligible employees at least 90 days prior to offering the ICHRA.
- The ICHRA is considered a group health plan and all the related compliance requirements apply. Contact Gravie if you have questions.
- Build an employee eligibility and contribution strategy. Although not difficult, deciding who is eligible for your ICHRA plan and what amount they are eligible to receive is important and requires careful consideration. Your Gravie account manager can help provide guidance and recommendations.



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How much do I have to contribute to the ICHRA?

There are no annual minimum or maximum contribution limits. Employers subject to ACA's employer shared responsibility provisions should keep in mind that if they contribute enough to be deemed affordable, they will avoid ACA's shared responsibility payments. Any employee who enrolls in the ICHRA is not eligible to receive premium tax credits.

What happens if employer contributions are deemed unaffordable?

If the employer contributions are deemed unaffordable, the employer may be subject to ACA's shared responsibility payments. Employees will be able to waive enrollment in the ICHRA and apply for premium tax credits through federal or state-based health insurance exchanges.

What reimbursement rules do I need to follow as an employer?

Employers can offer employees any amount of money through an ICHRA that can be used to purchase medical insurance as long as it is offered fairly to each employee within a designated employee class. Employers can choose to structure their eligibility and contribution criteria using 11 employee classes defined by the ICHRA regulations:

- Full-time employees
- Part-time employees
- Seasonal employees
- Employees covered by a collective bargaining agreement
- Employees who have not satisfied a waiting period for coverage
- Salaried employees
- Non-salaried employees
- Temporary employees of staffing firms
- Non-resident aliens with no US-based income
- Employees in the same geographic rating area
- Any combination of two or more classes from above

ICHRAs allow for more flexibility because employers can vary contribution amounts by employee class. For example, an employer could offer one amount to full-time employees and a different amount to part-time employees, or those who live in New York vs. those who live in Minnesota. There is no limit to the number of employee classes an employer sets up, as long as they fall within the 11 categories listed above. There is a minimum number of employees that must be in each class, which varies based on employer size.

