



Could new Individual Coverage HRAs replace your group health plan?

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Employers and employees are continually feeling the pinch of rising health care costs. 2020 provides a potentially better approach to consider: Individual Coverage Health Reimbursement Arrangements (ICHRAs).

In 2019, the IRS issued [final regulations](#) describing a reimbursement vehicle that employers may use in conjunction with Patient Protection and Affordable Care Act (ACA) Marketplace plans. In essence, an ICHRA allows employers to give employees a set amount of money in a tax-favored account, instead of coverage, while remaining compliant with the ACA's employer mandate. Of course, there are rules about how the ICHRA works, but not as many rules as those that exist under the ACA.

How do ICHRAs work? Here is one example. The employer sets up an ICHRA with a written plan document that describes how employees and dependents become eligible to participate and get reimbursed in the plan. The employer then determines how much money it notionally allocates to employees' accounts. Amounts may vary based on age, number of family members or distinct employee groups. The employee (and dependents) then enrolls in an ACA Marketplace plan of their choice during open enrollment for coverage beginning January 1, 2021. The employee submits eligible medical expenses to a vendor for substantiation, and the employer reimburses the costs from its general operating assets.

Claims experience got you down? The employer's cost for an ICHRA is not dependent on prior claims experience in your group plan. Rather, the employer determines the level of financial support it can provide (e.g., average cost of a gold level ACA plan), and that amount is a fixed cost for the year. The amount is determined annually based on the employer's philosophy and ability to support the ICHRAs.

Will my employees dislike it? Valuable benefits help retain top talent. A valuable ICHRA can be an excellent tool in an employer's benefit package. Many employees are comfortable with the reimbursement model through Flexible Spending and Health Savings Accounts, which may help alleviate the disruption of new procedures. There are vendors and attorneys that can help determine if ICHRAs are a good fit for your organization, as well as help with plan documents, reimbursements and education. Employers can also use a private marketplace, where a curated number of Marketplace plans are offered to help reduce employee decision fatigue. Some employees prefer this type of concierge Marketplace shopping. Employees can also choose from ancillary coverage options offered by a private broker, such as supplemental life and disability insurance. ICHRAs are not the perfect solution for every employer, but early 2020 is a great time to start researching them.

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