

ICHRA 101



What is an ICHRA

“ICHRA” stands for Individual Coverage Health Reimbursement Arrangement.

ICHRAs were introduced in 2020 as affordable options for businesses to help their employees get insured. An ICHRA is an employer sponsored benefit that allows employers to make a monetary contribution towards employee health coverage. Employees shop and enroll in individual health policies that meet their personal needs and pay the difference in premium.

Compared to traditional group health insurance options, ICHRA may be more flexible and cost friendly for small businesses.

How does an ICHRA work?

To start, employers decide which categories of employees (full time, part time, etc.) will be eligible, determine the employee allowance amounts, and pick an enrollment window.

Once employees are given their allowance amount and enrollment window, they shop individually to find a plan that best meets their personal needs.

The difference between the employer’s contribution and the total premium is typically deducted from the employee’s wages via payroll, on a pre-tax basis.

What are the benefits of an ICHRA?

- ICHRA offers employers more health insurance options and flexibility.
- ICHRA is cost effective, allowing the employer to know and determine a contribution that works for their budget, meaning there are no more surprise annual increases.
- ICHRA empowers employees to shop and enroll in coverage that best matches their personal needs and budget, rather than choosing from only one or two options. Employers no longer have to choose one or two plans to address the diverse needs of the entire group.
- Helping workers get health insurance can make it easier for employers to hire and retain top talent.

- ICHRAs offer flexible requirements for those employers and employees that may not qualify for other forms of group coverage.
- ICHRAs can be a great solution for remote work environments where employees live in different states or cities.

What to look out for?

Here are a few important things to keep in mind:

- Your ICHRA administrator will charge you a fee. Generally, this is on a per employee per month basis. These fees help to ensure compliance as well as ongoing plan and participant support and upkeep.
- For payroll deduction, the employer must pre-fund an account to ensure sufficient resources for employee enrollment and payment collection.
- Employees will have more freedom but also more responsibility. They will need to shop and enroll in coverage within given deadlines. They will also need to be prepared to review plans and ensure they are electing coverage that accepts their doctors, prescriptions, and any other preferred benefits they want/need.
- Renewals of ICHRA plans happens during the Affordable Care Act's national open enrollment period, November 1 – December 15th. No matter when an ICHRA plan starts, employees will need to be notified in a timely manner of this window and employees will need to act within the window if they choose to make changes to their coverage.

How to get started

To get started it is best to speak to a licensed insurance agent or broker like eHealth. They can help you understand all plan options and help you determine if an ICHRA is right for you.

If ICHRA is the way to go, eHealth offers ICHRA administrative support, a shopping and enrollment platform for employees and an team of licensed agents for customer care to support your group!

Give us a call

877-671-0954