

Introducing ICHRA:

A new innovative way to offer health insurance to employees

“People who both spend and save money are the happiest people, because they have both enjoyments”.

a quote from Samuel Johnson

ICHRA effective 1/1/2020. New laws have made it possible for employers to give employees more Health Insurance options at lower prices to meet the needs of every employee. **Some say it's the 401K of Health Insurance**



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What Is ICHRA

Evolution

2010 ACA

- » Public Exchange Marketplace opened for individuals to shop for health insurance
- » Individual plans became standardized (named after metals, gold, silver, bronze, platinum)
- » 2013, HRAs became popular to work only with group coverage.

2020, ICHRA – **open to any size companies**



ICHRA (**pronounced as “ick-rah”**) stands for “Individual Coverage Health Reimbursement Arrangement” in effect since January 1, 2020.



ICHRA is **based on reimbursing employees for insurance rather than buying it for them.**



ICHRA enables employers to provide an allowance of tax-free funds employees can use to purchase individual health plans.



Shifting from defined benefit to defined contribution



Can replace a group health plan or “class out” a segment of population



ICHRAs have no minimum participation requirements



ICHRAs meet large group ACA mandates



ICHRA is a game changer. It represents a new, modern model of employer sponsored health insurance **empowering employee choice**



ICHRA Benefits For Employers

Financial Predictability:

Cost savings with ICHRA

- » Employer determines how much to contribute by class and by age
- » **Fixed, predictable costs year after year both for employer and employees**

Customization:

Tailored benefit packages

- » **No more 1 SIZE FIT ALL plans.** Network flexibility, **total access to all plans.** No restrictions
- » Can still offer a group health plan to a class of employees and an ICHRA to another class

Recruiting & Retention

- » ICHRAs can be a powerful employee benefits and could potentially enhance and improve employee retention

BONUS:

Gets you out of the insurance business. Peace of mind

- » It removes the risk. Large claims, large increases for over 50+ FTEs enrolled.
- » No more guessing what plan best meets your diverse employee population



ICHRA Benefits For Employees



Personalization, **freedom to choose**, more ee engagement

- » More empowering for the employee as they have total freedom to customize their own plan vs. one size fit all plans Employer forces on them
- » **This strategy transforms employees into knowledgeable health care consumers capable of making value-based choices**



Portability

- » The employee owns the benefit. They get the keep plan should they lose eligibility and self pay.



Cost savings:

- » Lower premiums





Group Health Insurance Vs. ICHRA



Group Insurance

Defined benefit = LEXUS DEALERSHIP

- › Paternalistic. Employer does everything
- › Employer makes the decision on the carrier and the plan
- › No choice.
- › **No flexibility.**
- › **Higher costs. Rates are blended.** Young and old pay the same premium



ICHRA plans / Individual Insurance

Defined contribution - CARMAX PLATFORM

- › Consumer directed.
- › Employer sets the specific amount of funds
- › Employees pick & choose from a menu of options
- › 6 carriers. Large and small networks
 - › 30+ plans to choose from
 - › Bronze \$3000 deductible
 - › Silver \$2000 deductible
 - › Gold \$0 deductible
 - › Platinum \$0 deductible
- › **ICHRA premiums are based on individual's age.**
- › **ICHRAs are Calendar Year plans.**



Best Candidates For an ICHRA



Employers looking for

- » Cost control
- » Predictability
- » Flexibility



with:

- » 10+% cost increases for 2+ years in a row
- » Low participation
- » Employees in multiple locations
- » Desire to offer more choices to employees
- » Residency in certain states that have lower ICHRA rates, such as MA
- » Multiple classes of employees





ICHRA Employee Classes

There are eleven class descriptions . Though employers can offer varying contributions to varying employee classes, it's important to note that they must offer the same contribution to everyone in the same class, with two exceptions: age and the size of an employee's family.

01. _____

Full-time

02. _____

Part-time

03. _____

Salaried

04. _____

Hourly

05. _____

Seasonal

06. _____

Employees covered by a particular collective bargaining arrangements

07. _____

Non-resident aliens with no U.S.-based income

08. _____

Employees who have not satisfied waiting periods

09. _____

Temporary employees of staffing firms

10. _____

Employees working in the same insurance rating area (i.e. same geographic location such as state or multi-state region)

11. _____

Any combination of two or more of the above

» Classes can define ICHRA eligibility and the amount of contribution



ICHRA Reimbursement Requirements

There are no limits to how much an employer can offer for reimbursement under ICHRA.

Affordability:



An ICHRA is affordable if the remaining amount an employee has to pay for a self-only silver plan on the exchange is less than 8.39% of the employee's household income (as of 2024).



Employers can choose what they want their ICHRA to reimburse as long as it's **offered fairly to each class**.



Some popular reimbursement strategies are:

- » Tier
- » Age & Relationship



ICHRA set up questions



Eligibility

- » What class/classes of employee is eligible to participate?
- » Full-time and part-time employee status
- » Salaried or non-salaried workers
- » Seasonal or temporary staff
- » Geographic rating areas
- » Is your business located in more than one location or state?



Plan

- » What type of ICHRA plan do you want to offer?
- » Do you want to offer any other benefit alongside the plan like HSA or FSA?
- » When do you want the plan to start?



Amount

- » How much do you want to reimburse?
- » Do you want to tier it by age?
- » Will you give additional amounts for Spouse & Dependents?
- » If you are an applicable large employer, do those amounts meet affordability



Implementation



Implementation

- » Decide on budget & contributions
- » Send ICHRA notice to Employees
- » Communicate change to employees
- » Fund Advancement Reimbursement Account
- » Set-Up payroll deduction for employee's portion



Ongoing: Employer Portal

- » Add new hires
- » Provide team dates
- » COBRA Qualifying Event Notices (Third party administrator)



CASE STUDY



EBSC – Before

2023 plan year

\$500/\$1000 deductible

- » ER cost = **\$43,177/month**
- » ER cost = **\$518,124/year**
- » EE single = **\$178/month**
- » EE family = **\$524/month**

2024 plan year

\$500/\$1000 deductible

- » ER cost = **\$47,737/month**
- » ER cost = **\$572,844/year**
- » EE single = **\$258.32**
- » EE family = **\$684.54**



EBSC after ICHRA

2024 Plan year with ICHRA

- » ER cost = **\$30,000/month**
- » ER cost = **\$360,000/year**
- » Employer savings = **\$17,737/month**
- » Employer savings = **\$212,844/year**
- 100% of the employees are saving money.
- 82% of employees have no deductible.
- Some employees pay less than \$10/month.



Next Steps

Schedule a complimentary DISCOVERY CALL with **Edan Barshan** for consult



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