ICHRA Background:

ICHRA’s can reimburse a member for certain medical expenses, their insurance premiums, or both. To qualify, you must enroll in an individual health plan using the Health Insurance Marketplace or a private insurer.

An employer that would deploy this strategy would most likely use an outside vendor/TPA that would handle the set-up of the ICHRA, the plan document and assist in setting up the deductions.

Please note there are distinct differences between a QSEHRA and an ICHRA. An QSEHRA stands for a Qualified Small Employer HRA and is only available for employers under 50 employees.

CONS:

* Administratively it can be very messy. The more employees you have, the more choices and options.
* No help or member advocacy. Employees are on their own for customer service. We could not assist, as there is no broker of record.
* Most carriers no longer pay a broker commission on individual plans. The only way to get paid would be to charge a “consulting fee”.
* Any entities working in this space, would need “enrollers” that would sit one-on-one with each employee and help them get enrolled (or the employer could choose to make the member find it on their own).
* No consolidated billing, etc….
* If the employer is over 50 ee’s….keep in mind they are still subject to the employer mandate. The ACA reporting can be very complex and tricky when using an ICHRA. It is viewed by the IRS as a “self-funded” plan and the employer is subject to the pay or play rules under ACA.
* Individuals covered by an HRA are deemed **ineligible for the Premium Tax Credit** (i.e.- subsidy) through the exchange. They would be required to “Opt Out” of the ICHRA.
  + *If contributions and/or plans are deemed* ***unaffordable****…then subsidies could still apply.*
* Participation requirements IF offered alongside a group health plan (i.e. – minimum of 10 employees enrolled in the ICHRA for employers less than 100 employees).
* ICHRA’s are also subject to the PCORI fees and reporting each year.
* If offering a QSEHRA, there are specific W-2 reporting obligations.
* Employees will need to see the amount of reimbursements on their pay stubs
* Employees MUST be enrolled in Minimum Essential Covg (MEC)…if not all reimbursements become subject to all taxes. Under a QSEHRA, an employees premium tax credit would reduced by the amount of the HRA provided by the employer.

PROS:

* Healthcare isn’t a one-size-fits-all answer…so each employee can pick their own plan with any carrier of their choice. Many more options.
* No carrier participation requirements to comply with
* Employers can cap their contribution at a flat level…..however argument can be made that you can do the same under a traditional group health plan (i.e. fixed contribution on the single rate)
* Can Class Out employees (only on ICHRA, not available under QSEHRA).
* You can pay higher defined contributions by age and number of dependents.
* Not subject to ERISA (if certain requirements are met)