

Individual Coverage HRA (ICHRA) FAQs

1. Can an employer offer an ICHRA only to those who are Medicare-eligible?

No. An ICHRA must be offered on the same terms to all employees, or at least all employees within one of the following classes (or combination of classes):

- Full-time employees;
- Part-time employees;
- Seasonal employees;
- Salaried workers;
- Non-salaried workers;
- Employees working in the same geographic location (the same insurance rating area);
- Employees covered by a collective bargaining agreement;
- Employees who have not satisfied a waiting period;
- Non-resident aliens with no U.S.-based income; or
- Temporary employees of staffing firms.

Medicare-eligible individuals is not one of the permitted classes.

2. Can employers differ ICHRA reimbursement levels for different employees?

Reimbursement levels must be uniform within a specified “class” of employees, except that it can vary by age (on a 3:1 ratio in favor of older employees) and by number of dependents (or family members) enrolled in the ICHRA.

3. Can we offer employees a choice between an ICHRA and a traditional group medical plan?

No. Employers may offer an ICHRA or a traditional group medical plan within a specified “class” of employees, but an employee may not be offered both.

4. What are some of the potential advantages of offering an ICHRA over a traditional group medical plan?

- No minimum participation requirement.
- Cost predictability for the employer because the employer sets the maximum reimbursement level and is not subject to annual premium rate increases or decreases.
- Perhaps less hassle and administration annually for the employer, while still being able to provide benefits on a tax-favored basis.
- Flexibility and portability for employees and their family members to choose the coverage that best fits their needs, and the ability to maintain that coverage even when there is a change in employment.

5. What are some of the potential disadvantages of offering an ICHRA?

- Lack of affordable options and narrower networks available in the individual market.
- Employee education required to understand this new benefit offering, including help to navigate individual market options.
- For applicable large employers, added complexity to determine affordability due to individual health coverage premiums varying by age and location.

6. What size employer can offer an ICHRA? Is it only an option for small employers?

Employers of all sizes may offer an ICHRA to employees, or a specified class of employees. While potentially more appealing to small employers, applicable large employers may offer an ICHRA and design it in a way to meet §4980H (employer mandate) requirements.

7. Can we allow employees to enroll in the ICHRA who are enrolled in a group health plan through their spouse?

No. Only those employees (and their family members) who are enrolled in individual health coverage or Medicare are permitted to enroll in and be reimbursed by an ICHRA.

8. Is there a minimum reimbursement amount that must be made available via the ICHRA in order to meet the requirement to offer minimum essential coverage (MEC) to full-time employees and their dependents under §4980H(a)?

No, there is no minimum reimbursement level required. If an applicable large employer makes only a nominal amount (e.g. \$10/month) available in the ICHRA, it would still be considered an offer of MEC for purposes of satisfying §4980H(a) requirements.

9. Can employees enroll in the ICHRA and still receive a premium tax credit (PTC) toward coverage purchased through a public Exchange?

No. Individuals who are eligible for the ICHRA must choose to enroll in the ICHRA or take advantage of a PTC toward coverage through a public Exchange; they cannot have both. Individuals who enroll in the ICHRA are not eligible for a PTC toward coverage through a public Exchange because the ICHRA is considered minimum essential coverage (MEC).

10. Are ICHRAs group health plans subject to ERISA and COBRA?

Yes. The ICHRA is a group health plan subject to ERISA, and therefore must comply with plan documentation (e.g. SPD and SBC) and Form 5500 filings depending upon the size of the plan. An ICHRA is also subject to federal COBRA continuation requirements (for employers with 20 or more employees). An individual who loses eligibility for an ICHRA due to a qualifying event must be offered COBRA for the ICHRA.

The ICHRA Alliance is made up of Administrators, Benefits Advisors, Carriers and other Insurance Professionals who help employers understand and offer an ICHRA to their employees. info@ichraalliance.com | 952-737-7746



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