

How to Compare an ICHRA to Traditional Methods

Coverage | Risk | Affordability:

The opportunities and advantages of Individual Coverage HRAs

Traditional Model versus ICHRA

Traditional



Perceived as a hassle instead of a benefit



Annual renewal brings significant angst and price mitigation through various methods



HR is centric to claims denials or issues of care



Plan choice is limited to 1-2 plans. Despite intentions, not everyone can be pleased



Limited flexibility on coverage options. Dependents on the same plan as employee

ICHRA



Employees can choose the plan that satisfies their need and have broad selection of plans



No insurance renewals. Market check for IFP costs versus funding strategy



HR has no oversight of employee's health insurance and can focus on more holistic goals



Employees will typically have upwards of 25-50 plans to choose



Each family member can choose a plan that best fits their circumstances and health needs

The Upside



The Tradeoffs



The Realities



Upsides

- The Benefits of ICHRAs apply to:
 - Employers
 - Employees
 - Family members
 - Brokers
 - Carriers
 - Administrators

Upsides

Tradeoffs

Choice

Portability

Responsibility

Flexibility

Choice



- Traditional group model provides limited plan options
 - 1-2 options
 - Coordinates only with other group plans

- ICHRA's provide unlimited plan options
 - Each family member can choose their own plan
 - Individual coverage or Medicare



Portability

Traditional Group

- Optional COBRA or state continuation available
- Continuation time period is limited
- No control over plan or cost

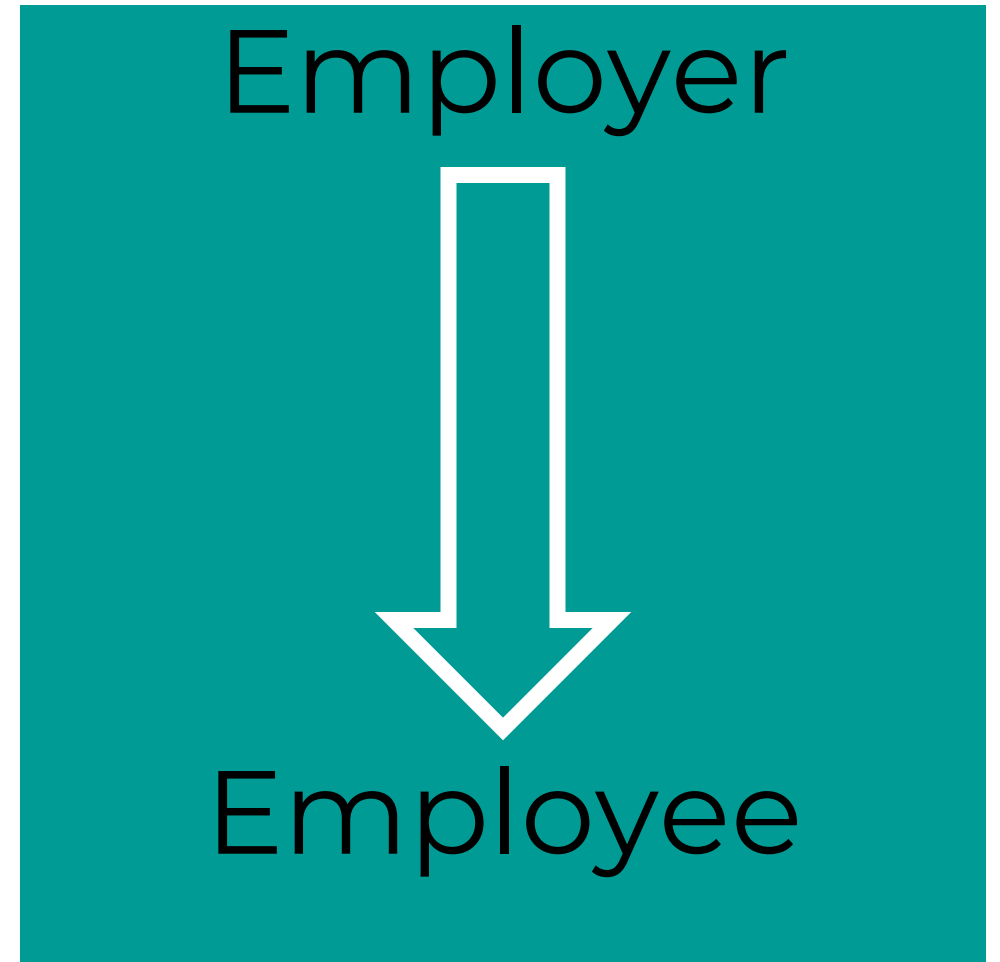
ICHRA

- Fully portability – individual owns the policy
- Insurance coverage not tied to employment – avoids gaps
- No time limits

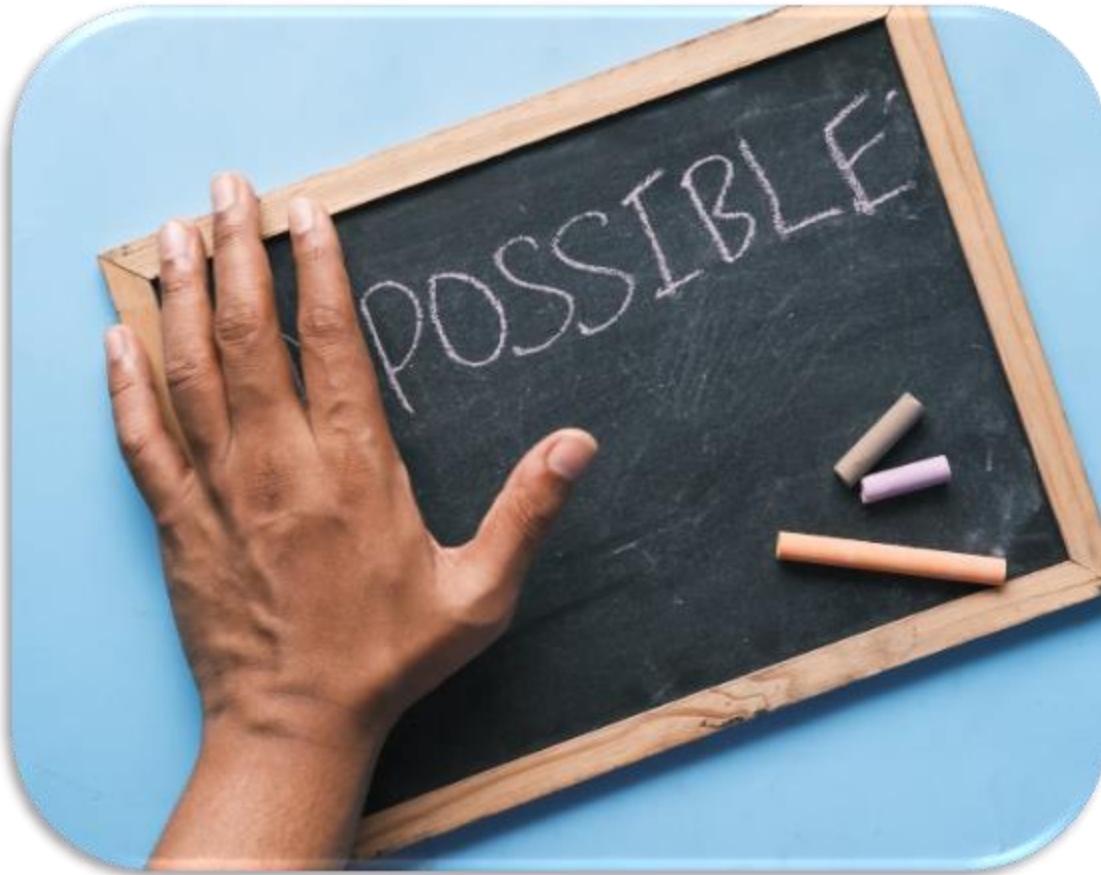


Responsibility

- Needs and values alignment
- Budget and affordability assessment
- Network requirements
- Plan selection/decision making
- Timely enrollment
- Coverage maintenance



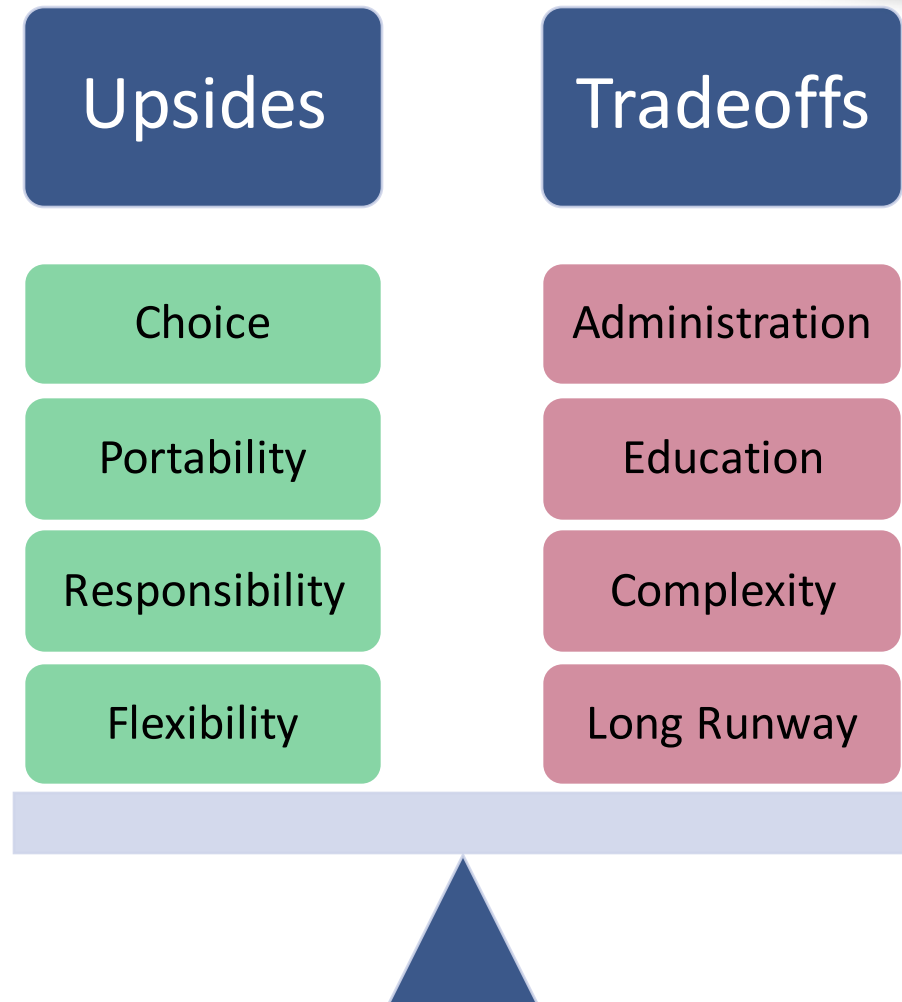
Possibilities



- Can offer to certain classes of employees
- Available to groups not standardly offered group coverage
- Retention tool
- Pre-tax options available for contributions in excess of ICHRA
- Can still be eligible for premium tax credit if offer is unaffordable and individual opts out

Tradeoffs

- The Challenges of ICHRAs apply to:
 - Employers
 - Employees
 - Family members
 - Brokers
 - Carriers
 - Administrators



Administration

- May only provide HRA reimbursement if enrolled in coverage – coordination with multiple plans
- More complex enrollment
- ACA Employer Shared Responsibility
 - applies affordability calculation per individual based on lowest cost silver plan where they reside, or can use safe harbor
- Education and responsiveness – lots of decision-makers
- SEPs only apply when first offered ICHRA



Education

Employer

- Limitation on involvement
- Used to a shorter timeline and within their control
- Different messaging/engagement
- Vendor selection

Employee

- Basics on health plans and how to determine best option
- Who to go to for assistance
- Many involved in decision making
- More complicated than used to



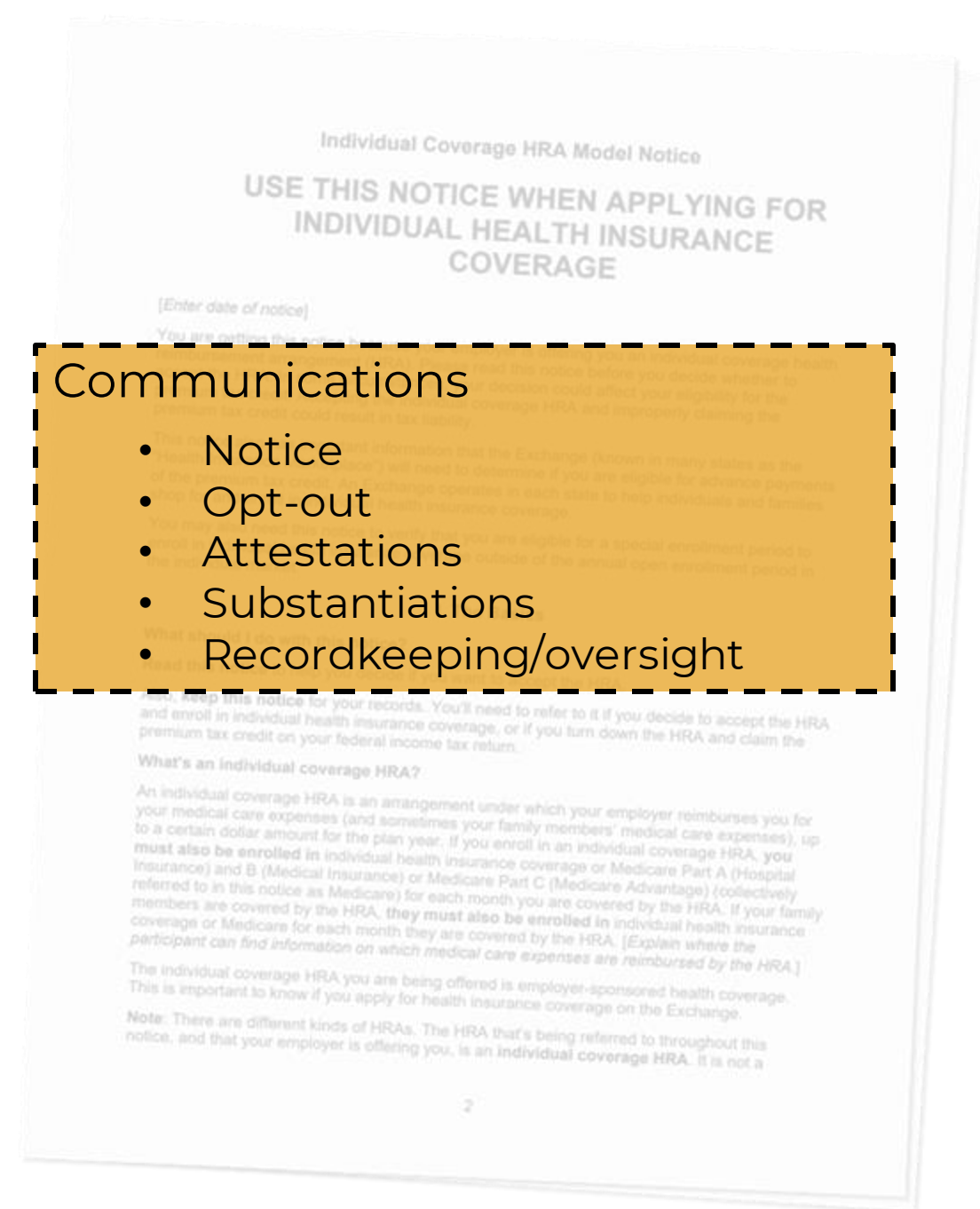
Complexity

Rules and regulations

- Nondiscrimination
- HIPAA
- ERISA
- ACA
- COBRA

Communications

- Notice
- Opt-out
- Attestations
- Substantiations
- Recordkeeping/oversight



Time

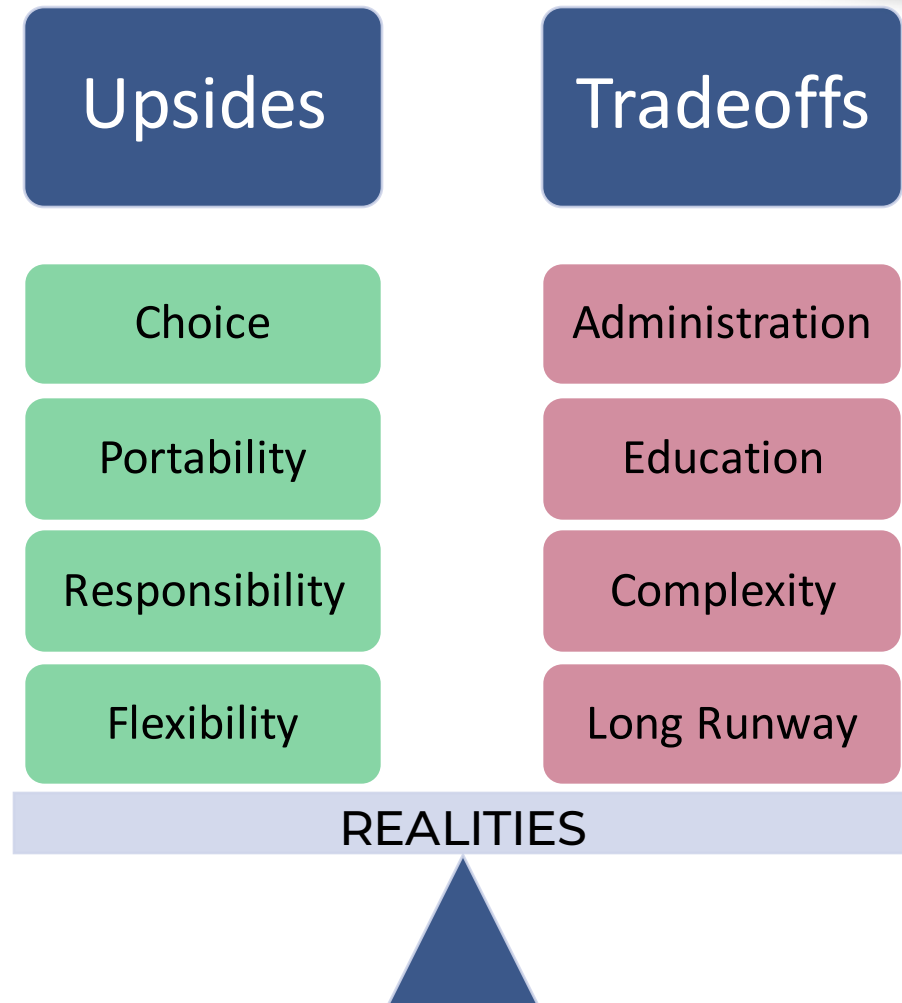


- Evaluating costs and viability
- Rate determination and timing
- Contribution modeling
- Methodologies for education, enrollment
- Vendor review
- 90-day notice to employees

Realities

- The Realities of ICHRAs apply to:

- Employers
- Employees
- Family members
- Brokers
- Carriers
- Administrators

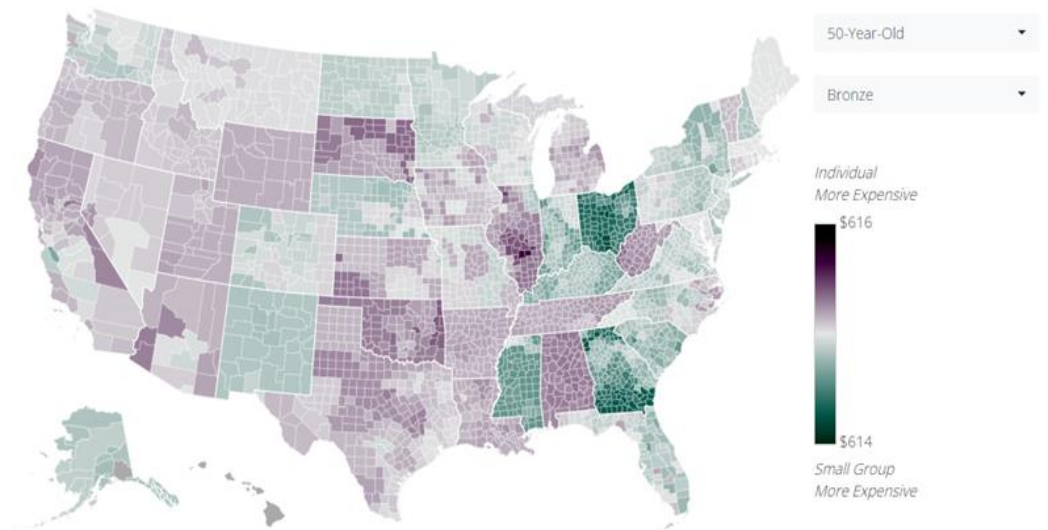


Markets

- Exchange vs off-exchange
- Individual vs small group rates
- Geographic mix
- Correlation between age and rates
- Group/class demographics
- Carrier changes in individual market offerings

Difference Between the Lowest Cost Bronze Plans on the Individual and Small Group ACA Markets by County, 2023:

IDEON



Note: Includes all Individual ACA-compliant plans sold on or off the state and federal exchanges. For the purposes of this map, plans and premiums are assumed to be available in a county if they are offered in any part of the county.

Map was updated on 11/21/2022 for the 2023 plan year.
Copyright Ideon. All Rights Reserved.

Viability

- Organization's culture
- Employer goals and mindset
- Current market
- Industry/competitive landscape
- Cost/benefit analysis
- Geography & demographics
- Risk



Coordination



- Players
- Value/Cost Determinations
- Roles and Responsibilities
- Vetting
- Timing
- Troubleshooting
- Outcomes

Developments

- Currently a regulation only
 - Proposed legislation just passed through committee
 - Unknown as to timing of bill introduction or possibility of inclusion in larger bill package
- Contribution modeling
- Departments may address additional outstanding comments from prior proposed rules
- Employers and brokers looking for parity of rules with other group health plans
- Still some groups claiming negative repercussions to market and employees



H.R. 3799 – The CHOICE Arrangement Act

Custom Health Option and Individual Care Expense (CHOICE) Arrangements

Health Reimbursement Arrangements (HRAs) allow employers to provide tax-advantaged funds to their employees to purchase qualified medical expenses (QMEs). A 2019 Trump Administration rule expanded HRAs to allow employees to purchase their own health insurance plan on the individual market through "CHOICE Arrangements".

CHOICE Arrangements have key benefits:

- Defined contributions to purchase qualified health insurance or QMEs.
- Employer-contributed funds are excluded from federal income and payroll taxes.
- No restrictions on business size or annual contribution limits.
- CHOICE Arrangements may be offered to different "groups" of employees.
 - *Example:* Part-time, full-time, seasonal, employees in different locations.

Advantages for Small Businesses: Predictability and Certainty

CHOICE Arrangements are a voluntary option to provide health care benefits where employers can better budget for expenses while forgoing the complex process of choosing and managing a health insurance plan.

- 87% of small businesses report wanting another way to help their employees get health insurance without offering a traditional group plan.
- Small businesses are twice as likely to utilize CHOICE Arrangements than larger businesses.

Advantages for Employees: Portability and Choice

- 90% of individuals believe you should be able to take your health plan with you when you leave a job.
- 80% of individuals would prefer a monthly contribution from their employer to purchase their own health plan.
- 77% of individuals report their health plan is a primary reason they stay at their current job.
- 75% of businesses with fewer than 200 employees offered only one health plan option.

H.R. 3799:

- Codifies CHOICE Arrangements to permanently provide flexibility and financial certainty for small businesses while expanding health coverage options for their employees.

The Upside



1. Choice
2. Portability
3. Responsibility
4. Possibilities

The Tradeoffs



1. Administration
2. Education
3. Complexity
4. Time

The Realities



1. Markets
2. Viability
3. Coordination
4. Developments

Next Steps:

- Sign up for ICHRA certification course
 - 3 hours of CE
 - Includes study guide
 - On demand course available July 2023

Individual Coverage Health Reimbursement Arrangements (ICHRA) Certification

Part I

Defining ICHRAs



1. Traditional Uses of HRAs
 - Reasons for Introduction into the marketplace
2. Federal Regulations
3. Interaction with the Affordable Care Act
 - Affordability
 - Funding
4. The Individual Market

Part II

ICHRA Fit and Function



1. Employer Considerations
 - Comparison
 - Viability and fit
2. ERISA and Section 125
 - Documents
 - Filings and Reporting
 - Notifications
3. Operational Considerations
 - Administrators & payroll
 - Employee education
4. Recordkeeping

Part III

Broker Best Practices



1. Planning Preparation, & Considerations
2. Delivering value and mitigating risk
 - Education
 - Analytics
 - Tools
3. Case Studies and Best Practices

Speaker



Annette Bechtold, REBC, ChHC, CIC, ACC, CPLC

Forte Consulting Atlanta

HRA Council Board Member

annetteb@forteatlanta.com

