



A New Era of Benefits ICHRA e-book

PERSONALIZED BENEFITS
FOR THE
MODERN WORKFORCE

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Personalized Benefits for the Modern Workplace A New Way to Offer Benefits to Your Employees

Shift from “defined benefit” to “defined contribution”.

First available as of January 1, 2020, Individual Coverage Health Reimbursement Arrangement (ICHRA) is an alternative to offering a traditional group health plan to employees.

ICHRA is a self-funded medical reimbursement plan allowing employers to provide defined, non-taxed reimbursements to employees for qualified medical expenses, including monthly premiums. It allows the employees to choose their medical plan that best fit their family needs.

Conventional group health insurance consists of a “defined benefit” where employers try to determine what their employee’s individual and family needs are and then attempt to meet those needs with a handful of plans from a few carriers.

DOL, HHS and Treasury (the Departments)
estimate that once employers fully adjust to the new rules,
roughly 800,000 employers will offer ICHRAs to pay for insurance
for more than 11 million employees and family members.





Attributes of an ICHRA:



Employers provide pre-tax dollars to employees to buy individual medical, Medicare Part A & B, C & D as well as ancillary insurance.

No limit of the employer contribution.



Works for large groups (50+) and small groups (50 and under).



ICHRAs meet large group ACA mandates.



Small groups can leverage ACA subsidies.



Employers can replace group health plans for the entire company, or just a segment of employees.

Employers can grandfather employees into the group health plan and offer only new hires ICHRA

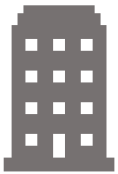


Why ICHRA?

ICHRAs allow businesses to focus on why they started their business and not get involved with managing employee risk and get into the Insurance business.

For many companies group health is too expensive, too complex, and just doesn't fit their employee population.

ICHRAs extend the tax advantage of the group health plan to HRA reimbursement of an individual health insurance premium.



Employer Advantages

1. Gets the company out of the insurance business and managing employees' health risk
2. No more guessing what plan best meets your diverse employee population
3. Can still offer a group health plan to a class of employees and an ICHRA to a class of employees
4. You determine how much you want to contribute by class and by age
5. Fixed, predictable costs, year after year
6. FICA savings for employee's portion of premium
7. No minimum participation or contribution requirements
8. No open enrollments
9. Less administration
10. Less compliance



Employee Advantages

1. More plan choices, selected by employee to best fit their family needs
2. Employer contribution towards premium is tax-free
3. Plans are portable - survives employment
4. Do not need to start deductible when you change from one group health plan to another.
5. Savings and potential government subsidies*



Affordability

The Employer Mandate through the Affordable Care Act requires that employers over 50 full-time equivalent (FTE) employees offer health insurance to their employees. Employers over 50 who do not offer health insurance coverage to their employees are subject to large penalties.

An ICHRA plan can satisfy the Employer Mandate if the individual market coverage is ACA compliant and the ICHRA contribution meets the affordability definition.

An ICHRA is affordable if the remaining amount an employee pays for a single coverage under the lowest cost silver plan on the exchange in their rating area is less than 9.61% of the employee's household income (as of 2022).

Affordability safe harbors – offer of ICHRA coverage to an employee is treated as affordable if the employees required ICHRA contribution does not exceed 9.61% of:

1. Form W-2 –employee's W-2 wages (box 1).
2. Rate of Pay – an amount equal to 130 hours x employee's hourly rate of pay on the first day of coverage or employee's monthly salary if paid on a salary basis.
3. Federal poverty-line – of 1/12 of the federal poverty line for a single individual for the applicable calendar year.





Premium Tax Credits

Small employers that are not subject to the Employer Mandate may choose to either offer an “affordable” ICHRA plan, or an “unaffordable” ICHRA plan.

This is where tax credits for employees could come into play. If the ICHRA is considered affordable, then employees are not eligible for tax credits.

Affordable definition is a bit different for PTC. It is based on the second lowest silver plan within a rating area and employees age.

If the ICHRA is unaffordable, then employees can choose between tax credits or the ICHRA. Employees must be given the option to opt-out of the ICHRA to access subsidies.

Employers may want to offer an unaffordable ICHRA plan so that their employees can receive tax credits.

Subsidies will be based on total household income at the time of enrollment.

Employee Class Options

There are 11 IRS defined employee classes. Classes are used to define ICHRA vs. group health plan eligibility and contribution amounts.



1. Full-time Employees



2. Part-time Employees

3. Seasonal Employees



4. Employees covered by a collective bargaining agreement

5. Employees who have not satisfied a waiting period for coverage



6. Non-resident aliens with no US-based income

7. Geographic location



8. Salaried Employees

9. Non-Salaried Employees



10. Temporary Employees of a staffing firm

11. A combination of two or more of the above classes.

If a Group Health Plan is offered to any class of employee the following classes will be subject to a minimum class size based on company size:

Full-time, Part-time, Salary, Non-Salaried and geographic (less than a state)

< 100 EEs = 10 EE minimum

100 – 200 EEs = 10% of total number of employees

> 200 EEs = 20 EE minimum

Contribution Rules

An employer must offer an ICHRA on the same terms and conditions to all eligible employees. Employer may give a flat dollar amount or contributions can vary based on:

Use one of the 11 classes or combination of classes. Can't vary within the class other than:



Vary by age

- Age based variations cannot exceed the 3:1 ratio allowed for individual market premium differences.
- A younger employee may not receive more contribution than an older person.
- An older person cannot receive more than 3 times the youngest person.



Vary by coverage level

- Single Only
- Employee + Child
- Employee + Spouse
- Family

Unused employer contributions can carryover to next plan year or forfeited at the end of the plan year based on the plan document.

Off exchange – employee's contribution can be pre-tax
On exchange – employee's contribution is post-tax



Who Can Participate in ICHRA

W-2 Employees , both full-time & part-time

Seasonal employees

Temporary employees

Excluded:

1099 contractors (although they can use Benefitbay's funding arrangement).

Enrolled in Non-compliant ACA plan such as a limited duration policy or health sharing plans

Enrolled in another group health plan (including spouse or domestic partner's plan)

Sole proprietor, partner in partnership, 2% or greater shareholder in a S-Corp and spouse and children working in the company.

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Group Health Plan & ICHRA

Offer GHP to Corporate employees & ICHRA to all other FT employees

Offer GHP to full-time employees & ICHRA to part-time employees

Offer GHP to all salary employees and ICHRA to hourly employees

Offer GHP to Full-time employees and ICHRA to seasonal employees

ICHRA Only Full Replacement to GHP

Offer more contribution to salary than hourly

Offer more contribution to full-time than part-time

Offer seasonal employees or employees in a waiting period (measurement period) an ICHRA contribution

Offer contributions to full-time or salary only

Can work with FSAs and HSAs if ICHRA is only reimbursing premiums



Individual Market Enrollments

Employer contributions under an ICHRA arrangement are available to those
That purchase Individual medical premiums on or off exchange
Medicare Premiums, Part A & B, C & D and supplemental policies are all eligible



Enrollment Period

To enroll in an individual health plan, it must be within the Open Enrollment period which typically runs from November to December.



Qualifying Events

Outside of Open Enrollment, a qualifying event must be triggered in order to purchase a plan (i.e., the birth of a child, a marriage, a divorce or moving.)



ICHRA Enrollment

When an employer decides to offer an ICHRA, it triggers a special enrollment period which gives employees 60 days to purchase a health plan. This allows an employer to offer an ICHRA anytime during the year.

As a new hire needs to enroll within 60 days to be covered.



Calendar Year

ICHRA's run on a calendar year so, if an ICHRA starts anytime after January 1, there will be a short plan year and start over the following January 1.

Compliance Requirements

- ICHRAs must have a process in place to verify employees are enrolled in an individual policy.
- ICHRA is subject to ERISA (not the underlying individual coverage if there is no employer endorsement, selection or renewal of individual coverage - it is completely voluntary.)
- Employer provides annual notice to each participant that the individual health insurance coverage is not subject to ERISA.
- IRS Notice furnished with 90 days prior to the plan year*
- New hires must be provided with the IRS Notice no later than the ICHRA effective date.
- Summary Plan Description furnished to participants
- COBRA Qualifying Event Letters must be mailed
- Form 5500 Filing if more than 100 participants at the beginning of the plan year
- Applicable Large Employers must report and file 1095
- Contributions must adhere to the 3:1 ratio
- Non-discrimination test if ICHRA offers reimbursement for other expenses other than premium.

Reporting on W-2 is optional

*new employer in business less than 120 days before the start of the ICHRA plan year, the notice is due no later than the date on which the ICHRA may first take effect.



Where Does an ICHRA Plan “Fit”

Unlike the group health plans, ICHRAs offer:

- No medical underwriting – no concerns with pre-existing conditions
- No adverse selection
- No minimum participation requirements
- No minimum employer contributions

Groups at Risk

High Renewals	High Claims
Low Participation	Network Issues
Carrier Issues	Employer Want Out of Insurance Business

Industries

- Restaurants
- Hospitality
- Retail
- Construction
- Landscaping
- Healthcare
- Manufacturing
- Delivery
- Professional services
- Non-profit
- Tech Industries*

Getting Started

1. Choose an effective date
2. Send out Initial Notice (90 days prior)
3. Determine budget
4. Establish classes to fit company's objectives
5. Determine who is eligible – use established classes
6. Determine contributions – use established classes
7. Begin employee communication campaign
 - Value of ICHRA
 - What to Expect – the transition plan
 - Shopping for and enrolling in Individual Coverage

Choosing an ICHRA provider is important to offer the value ICHRAs provide.

Contact Benefitbay to streamline the ICHRA deployment from plan design, setting up classes, establishing contributions to enrollment all through a single technology platform.

- ✓ Meets compliance requirements
- ✓ ALE Affordability calculations
- ✓ Small Group Subsidies Advantage tool
- ✓ Non-discriminatory contribution guardrails to ensure compliance
- ✓ Employer Portal
- ✓ Employee Portal
- ✓ Advanced Reimbursement Checking – employer funding banking account to remove employee financial hardship and administrative responsibility. Funding similar to a group health plan.

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