

ICHRAs: A Potential Game-Changer for Employee Health Benefits

Are Individual Coverage Health Reimbursement Arrangements (ICHRAs) a game-changer for employee health benefits? As a group health and life agent, you might be unfamiliar with Individual Coverage Health Reimbursement Arrangements (ICHRAs). You're not alone—many agents are in the same boat. However, once you understand ICHRA and how they work, you'll quickly realize how they can better transform the employer group marketplace with their significant tax advantages and ease of administration, enhancing your value proposition and helping your clients achieve their benefits goals.

WHAT IS AN ICHRA?

An Individual Coverage Health Reimbursement Arrangement (ICHA) is an innovative employee benefit known for its tax advantages and flexibility. It allows employers to reimburse employees tax-free for their individual health insurance premiums and qualified medical expenses, such as doctor visits, prescription medications, and hospital stays. Unlike traditional group health insurance plans, ICHRA operate more like a “shopping mall,” offering employees and their families a broad range of individual health insurance options, including more plans that are compatible with Health Savings Accounts (HSA). This adaptability, combined with tax benefits, makes ICHRA valuable to any employer's benefits strategy.

WHY EMPLOYERS SHOULDN'T SHY AWAY FROM ICHRAS

Knowing what sets ICHRA apart is important for employers considering adopting them. The flexibility and tax advantages, among other benefits, make ICHRA appealing to businesses and employees alike.

Flexibility in Benefits Offering: Because ICHRA are benefits “allowances,” they give employers the flexibility to tailor benefits for different classes of employees, such as full-time, part-time, seasonal, and temporary workers. For instance, a company might allocate \$5,800 to full-time employees and \$2,300 to part-time employees, allowing each the opportunity to shop for insurance independently. This approach avoids a one-size-fits-all benefits plan, caters to diverse needs, and gives employees control over their health benefits.

Predictable Budgeting: A key advantage of ICHRA is their predictability. Companies can set a defined budgeted amount annually for their ICHRA contributions and ensure consistent and manageable healthcare costs.

Tax Advantages: Employer contributions to ICHRAs are tax-deductible, and reimbursements to employees are tax-free. This dual tax benefit reduces overall costs, lowers employers' taxable income, and offers employees financial security and significant savings.

Improved Recruitment and Retention: In a competitive job market, an attractive benefits package is a no-brainer for recruiting and retaining top-tier talent. ICHRAs significantly enhance benefits by tailoring contributions based on employee demographics and help to reduce turnover as well.



Administering an ICHRA can often be more straightforward than managing traditional group health insurance.

KEY CONSIDERATIONS FOR EMPLOYERS

Now that we understand the benefits of ICHRAs to employers and employees, how do we go about implementing them? Well, to do it successfully, a few factors are at play, including employee education, compliance, and the impact on existing benefits. Being cognizant and prepared will ensure that the process goes smoothly for both employers and employees.

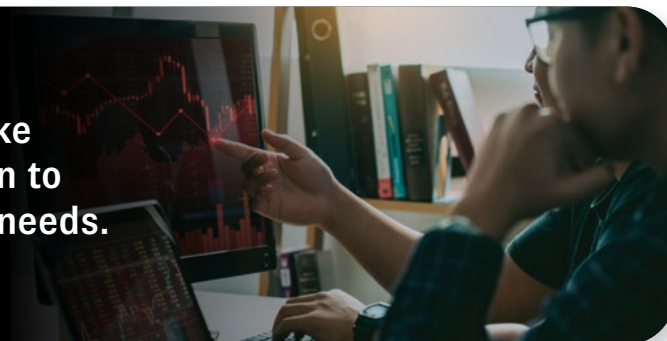
First and foremost, employee education is crucial. Employees need to understand how ICHRAs work and how they can benefit from them. Providing clear and concise resources, such as plan summaries and step-by-step guides on obtaining health coverage, can simplify the process. When well-informed, employees can make better decisions about their healthcare options.

Regulatory compliance is another equally important consideration. For example, applicable large employers (ALE) are required to contribute a minimum dollar amount to ensure the premium cost is affordable as per ACA guidelines. This ensures that participants receive a robust package of benefits that is still affordable. Adhering to these regulations keeps the plan in good standing and protects the employer from potential ACA penalties.

It's also important to evaluate the impact on existing benefits. Employees accustomed to traditional health plans may need additional guidance to understand the advantages of ICHRAs. By effectively communicating these benefits, employers can help employees appreciate the new system and see how it positively impacts their overall benefits package.

Finally, adopting an ICHRA should be considered part of a long-term benefits strategy. Employers should regularly monitor how employees use their allowances and make necessary adjustments to the ICHRA plan to align with goals and ongoing workforce needs. This proactive approach ensures that the benefits package remains competitive.

Employers should regularly monitor how employees use their allowances and make necessary adjustments to the ICHRA plan to align with goals and ongoing workforce needs.



By considering these key factors—employee education, regulatory compliance, the impact on existing benefits, and long-term strategy—employers can implement ICHRAs smoothly and effectively, creating a benefits program that meets the needs of their workforce and supports their business objectives.

PRACTICAL EXAMPLES OF ICHRA SUCCESS

To really understand the impact ICHRAs can have, let's look at some general examples of businesses that could successfully implement an ICHRA and reap significant benefits.

Compliance: Consider a mid-sized manufacturing company. Facing the need to comply with ACA guidelines while managing costs, they decide to implement an ICHRA. By offering different contribution amounts based on employee class—such as full-time versus part-time workers—they meet ACA affordability requirements and save money. This approach would maintain high-quality health benefits without excessive costs.

Significant Cost Savings: Imagine a small tech startup with a lean team facing high costs with traditional health plans. They switch to an ICHRA and see a 30% reduction in healthcare expenses. Predictable, fixed contributions allow for better budget management while offering employees various health plan options suited to their needs, thus enhancing satisfaction.

Streamlined Administration: Take any retail chain with multiple locations that finds managing traditional group health insurance challenging. Partnering with a third-party administrator (TPA) for their ICHRA setup and maintenance would streamline the process, making it efficient and hassle-free. This would allow the company to focus on its core operations while ensuring its employees had robust health benefits.

Enhanced Benefits Strategy: A non-profit organization always aiming to maximize resources decides to use savings from its ICHRA to introduce wellness programs and expand mental health support services. This move would improve employee well-being, satisfaction, and retention. The flexibility and savings from the ICHRA would enable a more holistic benefits package tailored to its employees' needs.



THE BOTTOM LINE

Now is the perfect time for plan sponsors and consultants to explore ICHRAs as a potential game-changer in employee benefits. Offering flexibility, cost-effectiveness, and a tax-savvy way to offer employee health coverage, ICHRAs can help employers improve their benefits strategy. Contact your trusted CRC Benefits sales team today to discover how ICHRAs can transform your approach to employee health benefits.

CONTRIBUTOR

- **Patti Riemer** is the Sales Executive for CRC Benefits' Value Added Products Division.