

# Employer Guide to ICHRA's

## WHAT IS AN ICHRA?

ICHRA (pronounced “ick-rah”) stands for “Individual Coverage Health Reimbursement Arrangement” and it is a new type of Employer sponsored coverage. ICHRA’s allow employers of any size to reimburse employees on a tax-free basis through payroll for the cost of the employee’s own individual policy. Employers simply determine how much they want to contribute and employees select their own insurance company and plan.

### Who Can Offer an ICHRA?

Employers of any size may offer an ICHRA!

### What makes an ICHRA Different?

Employers don’t select the insurance company or the plan(s) when using an ICHRA for health insurance benefits. They simply determine how much they want to contribute towards the premium. The employees can select their own plan based on their unique needs.

### What are the Advantages of an ICHRA?

Many employers and employees see immediate cost savings when transitioning to an ICHRA. Because employees are free to choose their own insurance company and plan, employers aren’t stuck having to choose between reducing benefits or increasing employee costs to keep company costs down. This results in greater budget control and predictability. Most importantly, employees are free to buy a plan that makes them happy, one that matches their unique circumstances and preferences.

## What do we Need to Have to Put an ICHRA in place?

### Employer Obligations:

When offering an ICHRA, employers must:

- have an ICHRA plan document prepared and make it available to employees
- provide employees notice of the ICHRA plan prior to the initial effective date
- provide employees the notice at least 90 days in advance of each subsequent plan year
- give employees the option to “opt out” of the plan within the notice
- have a section 125 plan in place that allows employee contributions to be deducted pre-tax

### Employee Obligations:

To receive benefits under an ICHRA, employees must:

- purchase a qualified plan such as ACA individual plans (Typically off the Exchange for their costs to be Tax Free) or Medicare (Parts A, B, C, D and Medicare supplements.)
- opt-out if they desire to secure a tax subsidy in lieu of an ICHRA contribution
- The ICHRA offering must be “Unaffordable” for the employee to get a Tax subsidy on the Exchange.



## Determining Employer Contribution



Employers can Contribute any amount including \$0 to the entire cost of the coverage. (Even if the Employer contributes nothing, both the Employer and Employee will save money in reduced Payroll taxes).

Contributions can be a "lump sum" amount or a "percentage of a reference plan", (i.e. 50% of a Silver level plan). The percentage method ensures younger and older employees are treated more fairly as contributions are increased for older people just like the premiums increase by age.

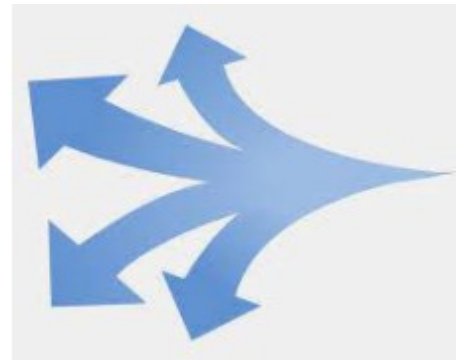
Contributions can be provided to each covered employee and each dependent or can be limited to only covered employees.

Employer Contribution's and Classes can be optimized to help both high income and low income employees

## Determining Employee Classes

Employers can divide Employees into different "classes" with different contribution amounts if desired. There are 11 different classes they can choose from:

- Full-time
- Part-time
- Seasonal
- Salaried
- Non-Salaried
- Employees still in a Waiting Period
- Temporary Employees of Staffing Firms
- Non-Resident Aliens w/ no US-based income
- Employees working in the same geographic location
- Employees covered by a particular collective bargaining arrangement
- Any combination of the above!



## Keys to a Successful Transition

ICHRA's allow new employees to join all through the year.

### Employers get:

- Savings and Flexibility not offered by traditional Group.
- An employer portal for their ICHRA administration.
- All of the Plan Documents for compliance.
- Section 125 POP Plan
- 90-day notice
- 1095-B
- COBRA notices
- Easy payroll information

### Employees get:

- The ability to pick the plan they want.
- Typically lower costs than traditional group.
- Personalized assistance in choosing a plan
- A COBRA option that lets them keep their current plan indefinitely, with no Employer interaction..
- The ability to pick between Tax credit subsidized plans or ICHRA Tax Free plans.

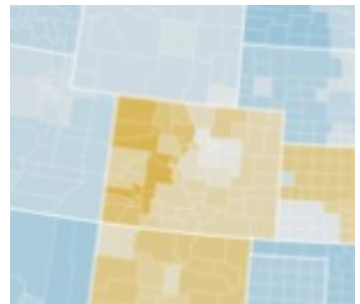
Call your broker for more information on ICHRA's!

# Examples



ICHRA's work well for Employers that have lower paid employees. ICHRA's provide a low cost method for the employer to get their employees signed up through Payroll deduction while allowing those that are Tax Credit eligible to Opt out and get enrolled through the Exchange when it makes more sense. The key is Affordability.

Individual and Family Premiums are less expensive than Traditional group by up to 40% in many parts of Colorado.



ICHRA's allow Medicare Eligible members to go on Medicare and have those benefits paid by the Company.

ICHRA's are very flexible allowing the Employees to pick the Carrier, Dr. Network and Deductible that works best for them.

Employers can set fixed contributions and don't have to worry about Participation or Contribution limits.



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