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Know Your Benefits

ICHRA Facts and Myths

Health insurance can feel confusing, especially if your employer offers a new option during open enrollment or if you enrolled in a different plan this year. One option you may be covered under or could hear about is the individual coverage health reimbursement arrangement (ICHRA). If your employer offers an ICHRA, it works differently from a traditional group health plan.

Under an ICHRA, employers solely fund an account-based group health plan through employer contributions for medical care expenses, up to a specified maximum for a coverage period. Instead of an employer selecting one group plan for everyone, an ICHRA allows eligible employees to purchase their own individual health insurance coverage. The employer then reimburses its employees, tax-free, for their premiums and certain qualifying medical expenses.

Because ICHRAs follow specific federal rules, employers cannot offer both an ICHRA and a traditional major medical group health plan to employees within the same employee class. However, they can offer different options to different employee groups. This means that if you are offered an ICHRA, it will be provided as your designated benefit arrangement rather than as one plan choice among multiple group health plans. An ICHRA replaces, not supplements, other group health plan offerings.

This article explains some common ICHRA myths and pairs them with the facts to help you understand this benefit and how it might support your health care choices.

6 Myths and Facts About ICHRAs

This section explains some of the most common misconceptions about ICHRAs to clarify the truth about them and help you make informed decisions. Consider the following six myths and facts about ICHRAs:

1. **Myth:** ICHRAs are only available for workers at small employers.
   Fact: A growing number of employers of all sizes are offering ICHRAs, from small teams to larger organizations. Federal regulations allow employers to design ICHRAs for many different groups of employees, including full-time, part-time, hourly and salaried employees. That means whether you work for a small business or a major employer, you may be offered an ICHRA rather than traditional group insurance. In fact, interest among large employers is rising fast as health care costs grow. More large organizations are exploring ICHRAs because they can offer predictable budgeting, administrative flexibility and an easier way to accommodate employees in different states or job categories. However, an ICHRA isn't necessarily a better fit for every employer or employee.

2. **Myth:** Choosing your own insurance is confusing and time-consuming.
   Fact: Research shows the opposite: Many employees appreciate having choice and control over their health care. Many people prefer selecting a plan that matches their needs rather than being offered traditional group health insurance. There are user-friendly tools that help you compare plans quickly and easily. Choosing a plan may take as little as 30 minutes with the right support, though it is important not to rush major decisions and to educate yourself about the best available options.

3. **Myth:** If my employer offers an ICHRA, it means more hassle and less support for me.
   Fact: The goal of an ICHRA is to give more customization and simplicity, not extra work. Employers typically use dedicated platforms that make enrollment and reimbursement straightforward. Many employers partner with

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administrators who help employees submit receipts, understand coverage options and navigate their ICHRA benefits. New tech tools, even mobile apps, make comparisons, enrollment and ongoing claims much easier. Over 40 ICHRA platforms now support streamlined plan selection with reliable tools used across the industry.

4. **Myth:** If government subsidies are removed, my ICHRA will no longer be useful.
Fact: Even as enhanced Affordable Care Act (ACA) subsidies shift, ICHRAs remain strong and growing. Many employees are choosing off-exchange plans, which are becoming more competitive and can sometimes offer better or more affordable options than Marketplace plans. Although ICHRA enrollment is lagging behind federal projections made when the program launched in 2019, early 2026 data shows ICHRA enrollment is increasing, not decreasing, even with subsidy uncertainty. Experts also note that rising group health insurance costs, not subsidies, are the biggest reason employers are moving toward ICHRAs. This means the value of your ICHRA isn't tied solely to changes in tax credits.

5. **Myth:** ICHRAs are only offered when something goes wrong with the employer's insurance plan.
Fact: In previous years, employers often switched to an ICHRA when group renewal premiums increased dramatically. But today, a growing number of employers are making ICHRAs part of long-term benefits planning, not last-minute problem solving. Some employers also leverage ICHRAs to offer health coverage to more classes of employes, such as part-time or seasonal workers. Many are starting discussions months before insurance renewals to make sure employees have time to understand the benefit and explore their options.

6. **Myth:** My health care costs will become more unpredictable with an ICHRA.
Fact: If your employer is a large organization (50+ full-time employees), the ICHRA it offers must meet ACA affordability rules. For the 2026 plan year, a plan is considered affordable if your cost for the lowest-cost silver plan—after subtracting the ICHRA contribution—does not exceed 9.96% of your household income. Expect guidelines for the 2027 plan year to be announced prior to enrollment. Employers can use approved IRS safe harbors to ensure affordability, protecting employees from being offered coverage that costs too much relative to income. This can provide structure around annual increases.

Learn More

ICHRAs are designed as an option that gives you flexibility in choosing and obtaining health coverage. Instead of being offered a single, standard group plan with limited tiers, an ICHRA lets you choose an individual health insurance plan that aligns with your needs and preferences. Since employers set predictable reimbursement amounts, you can shop with confidence knowing part of your costs will be covered. However, an ICHRA comes with trade-offs compared to traditional group health insurance plans and may have funding or coverage limitations. Spending time learning about ICHRAs can help you better understand how to use your existing plan or make future decisions about plan enrollment.

If your organization offers an ICHRA plan, speak with your HR team to learn how to maximize enrollment.