Understanding ICHRA: A Modern Approach to Employer-Sponsored Health Benefits

As healthcare costs continue to rise and workforce needs evolve, many organizations are exploring alternatives to traditional group health insurance. One increasingly popular option is the **Individual Coverage Health Reimbursement Arrangement (ICHRA)** - a flexible, employer-funded benefit that empowers employees while giving organizations greater cost control.

What Is an ICHRA?

An **ICHRA** is an IRS-approved health benefit that allows employers to reimburse employees on a pre-tax basis for individual health insurance premiums and eligible medical expenses.

Unlike traditional group health plans, ICHRAs shift the structure of healthcare coverage. Employers provide a set allowance to employees which can include dependents. Employees use that allowance to purchase either ACA-compliant health plans or Medicare coverage, depending on their age. Both employer and employee share the cost, like a traditional plan structure.

This approach offers several advantages:

- **Cost control:** Employers set predictable budgets by defining reimbursement limits
- **Flexibility:** Allowances can vary based on employee classifications such as location, age, or employment status (full-time, part-time, seasonal, etc.)
- **Accessibility:** Businesses of any size can offer ICHRAs with no minimum participation requirements
- **Tax benefits:** Employer contributions are tax-deductible, and reimbursements are tax-free for employees

How ICHRA Works

The most significant difference between ICHRAs and traditional group plans is choice. Instead of selecting a single plan for all employees, employers offer a financial contribution, and employees choose coverage that best fits their needs. Coverage is based on where employees live, not where the employer is located. Employers are not tied to group-rated premium increases which helps stabilize costs year over year.

Most importantly, ICHRAs improve recruitment and retention by giving employees ownership over their healthcare decisions. It is important to note that employees cannot combine an employer-funded ICHRA with ACA premium subsidies.

For employees under age 65, ICHRAs pair with Affordable Care Act (ACA) plans and employees 65+ will utilize full Medicare plans, with both solutions offering protections and flexibility similar to group coverage, but with added personal choice.

ICHRA Enrollment and Plan Changes

- ICHRAs can begin at any time, but all health plans follow a calendar year
- Employees must enroll during initial the ICHRA onboarding or the ACA Open Enrollment Period that starts in November each year
- Plan changes are allowed for Qualifying Life Events (QLEs) such as marriage, divorce, childbirth, or relocation
- New hires have a 60-day window from date if hire to enroll

Why Employers Are Choosing ICHRAs

ICHRAs represent a shift toward personalized, portable, and predictable healthcare benefits. By moving away from one-size-fits-all group plans, organizations can better manage healthcare costs, provide greater employee choice and satisfaction, simplify administration, and stay competitive in recruiting top talent. At the same time, employees gain control over their health coverage - choosing plans that truly align with their medical, financial, and personal needs.

As part of your association membership, you have access to Gallagher as an exclusive benefit. If you'd like help understanding ICHRAs or exploring your options, you can connect with a licensed Gallagher broker at **888-988-5269** or visit **https://ahs-member-us.ajg.com/ura/** to learn more.