



A United Group Programs, Inc. Brand

INDIVIDUAL COVERAGE HRA (ICHRA)

What Is It?

An Individual Coverage Health Reimbursement Arrangement (ICHRA) is a company-funded, tax-advantaged health benefit used to reimburse employees for personal health care expenses. The ICHRA was introduced through new regulations from the Departments of the Treasury, Labor, and Health and Human Services in October 2018, finalized in June 2019, and will be available beginning January 1, 2020. With an ICHRA, the business sets an allowance of tax-free money for employees. Employees make health care purchases and the business reimburses them up to their allowance amount.

Employer Eligibility

Available to any size business.

Employee Classes

An ICHRA must be offered on the same terms and conditions to all employees within a class, except that the benefit amount may increase based on age (maximum 3:1 ratio) or family size.

Classes are determined at the common-law employer level (rather than on a controlled group basis).

Classes Defined

- Salaried
- Non-salaried (e.g. hourly)
- Full-time (as defined in Code Section 105 or 4980H)
- Part-time (as defined in Code Section 105 or 4980H)
- Seasonal (as defined in Code Section 105 or 4980H)
- Employees covered by collective bargaining unit
- Employees who have not satisfied a waiting period for coverage
- Nonresident aliens with no US-based income
- Employees of an entity that hired the employees for temporary placement at another entity (temporary worker rule)
- Employees whose primary site of employment is in the same rating area. The rating area is defined as the rating area used for ACA premium rating requirements in the individual market. This allows employers to offer or vary benefits based on worksite location.
- Any combination of two

Eligible Expenses

Individual health insurance premiums, Medicare premiums Part A, B, C and D, Medicare Supplement premiums, certain insured student health plans, ACA compliant catastrophic health plans, qualified 213(d) medical expenses. Employers may design the plan to reimburse premiums and all (or certain) 213(d) eligible expenses, or limit to just premiums.

Short-term limited-duration insurance (STLDI), self-insured student health plans and coverage consisting solely of excepted benefits are not eligible for reimbursement.

Substantiation Requirements

Individual health insurance coverage substantiated annually and for each reimbursement. Employee attestation accepted. 213(d) medical expense substantiation required per IRS regulations governing HRAs.

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Group Health Insurance Interaction

Businesses can offer traditional group health insurance, but not to the same class of employees to whom they offer the ICHRA.

Tax Savings

Reimbursements are free from payroll and income tax.

Cafeteria Plan Interaction

Individual health insurance premium amounts above what is not reimbursed through the ICHRA may be paid pre-tax through a cafeteria plan salary reduction, as long as the coverage is purchased outside of an Exchange. If offered, salary reductions must be available on the same terms and conditions to all employees within a class.

ICHRA is considered a group health plan. As such, a health FSA may be offered along side an ICHRA.

Carryovers and Cash-outs

Carryovers permitted if allowed under the employer's ICHRA plan. Cash-outs are not permitted

Forfeitures

Employees that cease to be eligible would forfeit the remaining balance (subject to COBRA if lost eligibility was due to a qualifying event).

Premium Tax Credits (PTC)

Employees will be ineligible for PTC when enrolled in the ICHRA.

Waivers and Opt-Outs

ICHRA participants must be able to opt out and waive future reimbursements annually before each plan year. Upon termination of employment, participants must either forfeit the remaining balance (subject to COBRA) or be able to permanently opt out of and waive future reimbursements.

Employer Shared Responsibility

Only employers with at least 50 full-time employees, including full-time equivalent employees, in the prior year are applicable large employers subject to the employer mandate. An offer of an ICHRA counts as an offer of coverage under the employer mandate. Whether an applicable large employer that offers an ICHRA to its full-time employees (and their dependents) owes a payment under the employer mandate will depend on whether the HRA is affordable. This is determined under the premium tax credit rule being issued as part of the ICHRA rule and is based, in part, on the amount the employer makes available under the ICHRA. Therefore, if an applicable large employer wants to avoid an employer mandate payment by offering an ICHRA, the employer will need to contribute a sufficient amount for the offer of the ICHRA to be considered affordable. The Internal Revenue Service plans to provide more information on how the employer mandate applies to ICHRAs at a later date (though soon).

HSA Eligible Plans

May be designed to be HSA compatible by reimbursing premiums only or limiting reimbursement in accordance with HSA rules (i.e. no reimbursement until statutory deductible is met). Employees in the same class can be offered a choice between an HSA-compatible ICHRA and one that is not HSA-compatible.

ERISA Plan

Yes, for the HRA. ERISA plan document, SPD, SBC and Form 5500 required. Note: individual health insurance coverage reimbursed through ICHRA does not make the individual health insurance an ERISA plan.

Non-discrimination testing

HRA 105(h) non-discrimination testing rules apply when offering both premium reimbursement and 213(d) medical expense reimbursement.

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COBRA

Yes, when ICHRA coverage lost due to a qualifying event. Not eligible for COBRA if an employee is no longer covered by individual health insurance coverage.

MSP Reporting Required

Yes.

Notice Requirements

ICHRA must provide a notice to eligible participants 90 calendar days prior to the beginning of each ICHRA plan year. For new hires and for employees who are newly eligible during the plan year, the ICHRA must provide notice no later than the date on which the ICHRA first takes effect for the participant. The IRS has provided a model notice employers can use. ICHRAs must also provide notice in accordance with ERISA (SPD, SBCs, SMMs and SMRs).

PRICING		
Solution	* Set Up Fee	PEPM (Per Employee Per Month) Fee
IHSA	\$250	\$2.50 PEPM, Minimum of \$100/month

* Set Up Fee is waived if group already has HRA documentation in place