

# INDIVIDUAL COVERAGE HEALTH REIMBURSEMENT ARRANGEMENT (ICHRA) FAQs

## WHAT IS AN ICHRA?

An ICHRA (Individual Coverage Health Reimbursement Arrangement) is a company-funded health benefit that reimburses employees for healthcare expenses. Unlike a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA), the ICHRA is available for businesses of any size. ICHRAs have been available to business owners since 2020.

Both big and small businesses — as well as nonprofits, churches, and other employers — can reimburse employees tax-free for the cost of their individual health insurance premiums chosen on or off the exchange and other healthcare expenses (e.g. deductibles, copays).

With no annual employer contribution limit, ICHRAs enable small employers to offer competitive benefits, without the administrative costs of traditional group health plans.

An ICHRA is a way to attract top talent and works as a stand-alone benefit or as a part of your business's benefits program along with standard small-group insurance. In this case, the company provides some classes of employees with a small group insurance plan and other classes an ICHRA.

## ICHRA FAQs

### Q: How does the ICHRA process work?

A: When you choose an Individual Coverage HRA for your staff, you decide the amount of the monthly allowance you provide your employees. Your employees then pay for their individual health insurance coverage and other qualified expenses, and you reimburse them up to the allowance amount for those costs.

Keep in mind that all ICHRA payments you make are on a pre-tax basis, which means you pay no payroll or income taxes on the payments.

### Q: Which employees are eligible for an ICHRA?

A: As a business owner, you determine which employees are eligible for your ICHRA by choosing which class(es) of employees are eligible when setting up ICHRA plans. Employers must offer it on the same terms to all individuals within a class of employees, except the amounts offered may be increased for older employees and for employees with more dependents.

#### There are 11 different employee classes:

- Full-time
- Part-time
- Seasonal
- Temporary employees who work for a Staffing firm
- Salaried
- Hourly
- Employees covered under a collective bargaining agreement
- Employees in a waiting period
- Employees who work abroad
- Employees in various locations, based on rating areas
- Any combination of these

Business owners cannot offer an ICHRA to any employee who is also offered a traditional group health plan. However, they can offer an ICHRA to certain classes of employees and a traditional group plan to other classes of employees.

For example, you can offer group insurance to one class of employees and an ICHRA to another. If you choose to provide this option, you must meet minimum class size standards for the employees eligible for the ICHRA.

You may also offer different reimbursement allowances to your various classes. For example, you can offer one group of employees \$500 per month, and another \$250 per month.

You may allow a different allowance amount based on the employee's age and family size. For instance, you can offer single, full-time employees an allowance of \$500 and full-time employees with families \$1,000.

**Q: What are the benefits of an ICHRA for your employees?**

A: An ICRHA can be an attractive option for employees, allowing you to attract top talent by providing the benefits employees want today. Some of the benefits include:

- Employees can choose plans that include their own doctors.
- Employees can add other benefits like vision and dental insurance.
- Each employee can choose the plan that works best for them on the individual market and select the coverage that best meets their individual needs.
- Other health care expenses may be reimbursed along with plan premiums.
- Employees own their health plan and can take it with them if they change jobs.

**Q: What are the requirements of an ICHRA?**

A: Requirements include:

- Members must be enrolled in individual health insurance or Medicare to be eligible.
- Employers may not offer both ICHRA and a traditional group health plan to the same class of employees.
- The same terms must apply to all employees within the employee class.
- Employers must provide annual notice to all eligible employees before the plan year.
- Employers must allow participants to opt out of the ICHRA annually during open enrollment, newly hired eligible employees, and upon termination.
- Members must attest that they are enrolled in an eligible plan.

**Q: How does an ICHRA differ from a standard HRA?**

A: HRAs are tied to a group health insurance plan, while an ICHRA is for those employers who don't offer a group health insurance plan, and their members must go out and buy individual-market insurance. ICHRA requires an attestation from the member each time they submit a claim to PayFlex.

**Q: Who is responsible for substantiating the employee being enrolled in individual health insurance or Medicare?**

A: The plan sponsor of the ICHRA (generally the employer) is responsible for substantiating that all individuals covered under the ICHRA are enrolled in individual health insurance or

Medicare. A plan sponsor may contract with a TPA or other third party to assume responsibility for addressing this requirement.

**Q: What is the attestation?**

A: Members must check this attestation when filing a claim for reimbursement manually or online:

[ x ] I certify that this claim is for eligible expenses incurred during a month that myself or my family member was covered by individual health insurance coverage or Medicare (Part A, B, or C).

**Q: How is PayFlex administered to ensure the attestation is received?**

A: It is administered through the following means:

- Manual claims: A new claim form has been created for ICHRA accounts that has the attestation provided for members to check off.
- Online claims: A new attestation piece has been added to the "file a claim" process, which allows members to certify their individual healthcare coverage.
- Debit card: A new Employee Election Confirmation statement will be sent out to anyone with an ICHRA. The statement reads:

You can only use the card for eligible expenses. Check your employer's plan to confirm what's eligible. Note: When you use the card, you're certifying that the expense was incurred during a month that you or your family member were covered by individual health insurance coverage or Medicare (Part A, B or C).

**Q: How much can an employer contribute?**

A: There is no limit on contribution amounts from the employer.

**Q: What expenses are eligible?**

A: Eligible expenses are individual health plan premiums and/or eligible medical (213d) expenses. Note: Plans that are not covered would be short-term, limited-duration insurance, or coverage consisting solely of dental, vision, or similar "excepted benefits."