



Individual Coverage HRA

Health coverage is a focus for many employers as they look for innovative and cost-effective ways to provide benefits. An Individual Coverage Health Reimbursement Arrangement, or ICHRA, is timely and can offer substantial flexibility for your business.

What is an ICHRA?

The ICHRA allows employers to reimburse their employees (tax-free) for medical expenses regardless of their size. Employees may use ICHRA funds to pay for individual healthcare premiums and eligible medical expenses they or their dependents may incur.

What are the requirements for an HRA to qualify as an ICHRA?

- You may not offer eligible employees a choice between an ICHRA and a traditional group coverage health insurance plan.
- You can leverage 10 different employee classes so structure benefit eligibility and allowance amounts. While different terms may apply for different classes of employees, the same terms must be offered to all employees within the same class.
- Participating employees and dependents must be enrolled in an individual health insurance plan or Medicare to participate in an ICHRA.
- You must have reasonable procedures in place to verify employee enrollment in an individual health insurance plan or Medicare.
- A written notice must be provided to eligible employees at least 90 days prior to the beginning of the plan year explaining key terms of the ICHRA.
- Eligible employees must have the option to opt-out annually and upon termination.

How do ICHRAs benefit employers?

Individual Coverage HRAs are cost-effective for you, your employees and their dependents. This is an exciting win for employers of all sizes that want to remain competitive and promote retention of their valuable employees!

ICHRAs can be appealing for many employers due to the following reasons:

- The ICHRA is tax-free for both you and your employees
- There are no minimum participation requirements associated with the ICHRA
- There are no minimum or maximum contribution limits
- You can choose eligibility requirements
- You have the ability to offer different allowance amounts to different classes of employees