

Individual Coverage Health Reimbursement Arrangement (ICHRA) FAQs



Rules

Q: Can owners of an organization participate in an ICHRA?

A: C corporation owners: Owners and their dependents are eligible.

S corporation owners: Owners with more than 2 percent of company shares cannot participate in an ICHRA. Neither can their parents, spouse, children or grandchildren.

Partnerships: A partner is eligible for the ICHRA if his or her spouse is a W-2 employee. The partner can access the spouse's ICHRA as dependent.

Sole proprietors: A sole proprietor is eligible for the ICHRA if his or her spouse is a W-2 employee. The sole proprietor can access the spouse's ICHRA as dependent.

Q: Is the ICHRA's affordability determined the same way as affordability for Advanced Premium Tax Credits (APTC) on the Marketplace?

A: No. ICHRA affordability calculations use the lowest-cost silver plan in the county where the person resides. This is the formula to determine ICHRA affordability.



**2023 rate. Rate indexed annually.*

Q: Is there a minimum or maximum ICHRA contribution requirement the employer must meet?

A: No, there are no set minimum or maximum requirements for an employer's ICHRA contribution. There are requirements the employer must meet when setting different ICHRA contribution amounts among employees. Employers can vary their ICHRA contribution among these permitted classes:

- ▶ Full-time
- ▶ Part-time
- ▶ Seasonal

- ▶ Employees covered by a collective bargaining agreement
- ▶ Nonresident aliens with no U.S. - based income
- ▶ Employees working in same rating area
- ▶ Non-salaried employees

ICHRA contributions can vary within the permitted classes based on dependent status (i.e., employee and spouse, employee and children, family) and a 3-to-1 contribution ratio based on age. This means the highest employer ICHRA contribution amount in a class can be no more than three times the lowest contribution amount in the class. Employees of the same age must receive the same employer ICHRA contribution amount.

Q: Can a person still receive APTC if his or her employer's ICHRA contribution deems the ICHRA plan affordable?

A: If an employer's ICHRA contribution deems the ICHRA affordable for a person, he or she cannot receive APTC for a Federally Facilitated Marketplace (FFM) health plan. If an employer's ICHRA contribution deems the ICHRA unaffordable for a person, the individual can receive APTC if he or she opts out of the ICHRA, assuming he or she meets all other APTC requirement.

Q: Can an employer change its ICHRA contribution amount midyear?

A: Employees must decide to opt in or out of participating in an ICHRA. The employer ICHRA contribution affects affordability and thus an employee's eligibility for APTC. ICHRA rules do not allow a person multiple opt in or out decisions during a plan year. Anything that affects the affordability of the ICHRA, to include the employer ICHRA contributions, cannot change midyear. Employers must wait until the renewal and new plan year to adjust ICHRA contributions

Q: Is there a minimum participation requirement to implement an ICHRA?

A: No, there are no set minimum participation requirements to implement an ICHRA.

Q: Can a person have any type of health plan and receive an ICHRA contribution from his or her employer?

A: To receive ICHRA contribution from the employer, a person must enroll in a qualified health plan as outlined in the Public Health Services Act, Section 2711 and 2713. In other words, plans must meet Affordable Care Act (ACA) health plan benefit parameters. Examples of qualified plans are:

- ▶ ACA compliant individual and family health plans
- ▶ Medicare Supplement plans
- ▶ Medicare Advantage plans
- ▶ Medicare Part B

Q: Can a person deduct any health plan premium owed after the employer ICHRA contribution before taxes i.e., salary reduction?

A: Employers may not allow salary reduction through a cafeteria plan (Section 125) to pay the portion of a FFM plan's premiums not covered by an ICHRA. Employers may allow salary reduction through a cafeteria plan to pay the portion of premiums not covered by an ICHRA for a plan purchased outside the FFM i.e., in the private market.

Q: Do employers with an ICHRA have any reporting requirements?

A: Yes. The Internal Revenue Service (IRS) considers ICHRAs health plans, so there are reporting requirements to the IRS:

- ▶ 1094 B and 1095 B (Small Employer)
- ▶ 1094 C and 1095 C (Larger Employer)
- ▶ Form 5500
- ▶ Form 720 (PCORI)

Note: Planned Administrators, Inc. (PAI) provides 1094s and 1095s for the individual/family health plan. It is the employer's responsibility to provide 1094s and 1095s for the health reimbursement arrangement (HRA).

Administration

Q: Can an employer impose a waiting period before an employee is eligible for ICHRA contributions?

A: The HRA side of ICHRA is subject to the ACA's required 90-day, new hire waiting period maximum. PAI requires a first of the month effective date for

health plans and HRAs. So, the longest waiting period an employer can impose is 60 days.

Note, Because PAI requires a first of the month effective date, imposing more than a 60-day new hire waiting period would exceed the ACA's 90-day maximum requirement.

Q: What if a person does not have a qualified health plan in place by the effective date of the ICHRA?

A: The Group Solutions platform allows enrollment for up to one month past the desired effective date. For example, if the desired effective date is Aug. 1, Group Solutions would allow enrollment input for that effective date up to Aug. 31.

Additionally, Group Solutions allows enrollment input for effective dates up to two months forward. For example, if inputting enrollment data on Aug. 15, in addition to an Aug. 1 effective date, Group Solutions would also allow a Sep. 1 or Oct. 1 effective date.

Q: How does a person substantiate his or her health plan to receive the ICHRA contribution from the employer?

A: PAI provides automatic plan substantiation for people enrolling in an individual or family health plan, or a Medicare Supplement plan. Members must submit proof of enrollment and payment to PAI to satisfy substantiation requirements. Substantiation documents may include a welcome letter, bill and/or eligibility letter.

Note, if a person enrolls in only Medicare Part B or a Medicare plan, he or she must submit proof of enrollment and payment. If he or she has their Medicare Part B premium deducted from his or her social security benefits, PAI requires the ICHRA Medicare Part B Reimbursement Request Form to satisfy substantiation.

Q: If an employer terminates an employee's ICHRA contribution, does the employee's health plan also terminate?

A: No. Termination of the health plan requires an additional request submitted to the applicable carrier.