

# ***RUNNING YOUR BUSINESS***

***Can My Clients Benefit From the New ICHRA?***

**Presented by: Jack Hooper & Kyle Estep**

The background of the slide features a silhouette of three people climbing a rocky mountain peak. The scene is set against a sunset sky with a bright sun on the left and a large, dark rock formation on the right. The overall tone is motivational and professional.

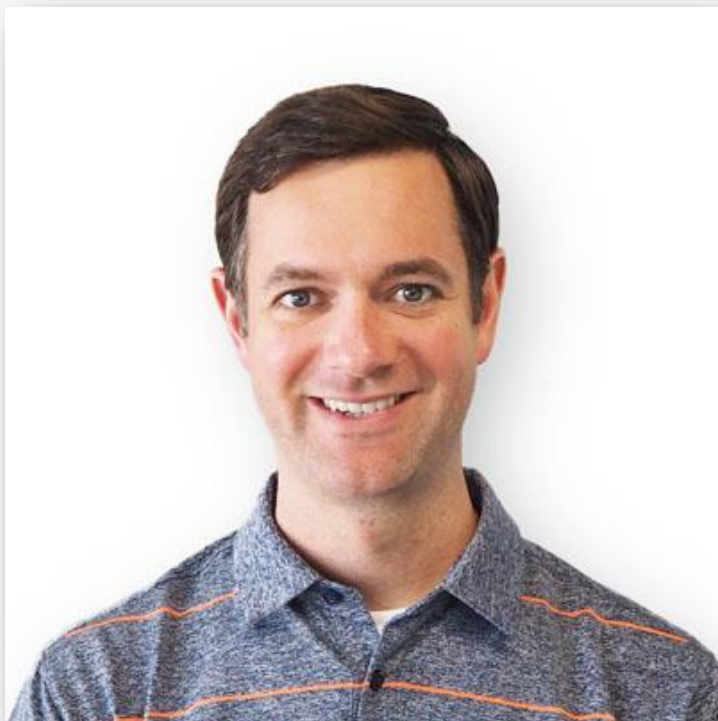
**NAHU**

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## Quick Intro: Today's Host!



**Jack Hooper**

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# Today's Agenda

## Topics

- 1 What is ICHRA again?
- 2 ICHRA and Coronavirus
- 3 What we've learned from early adopters
- 4 Case studies
- 5 Is ICHRA a good fit for my clients?



# 1 What is ICHRA? (“ick-RAH”)

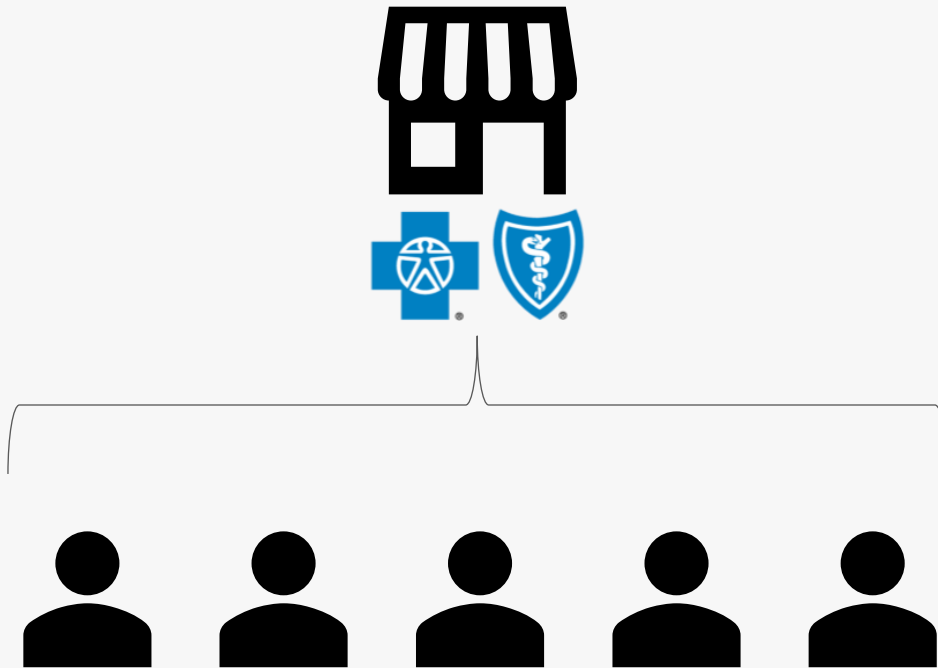
That practical things you should know



# ICHRA is a **new way** for employers to provide health benefits to employees

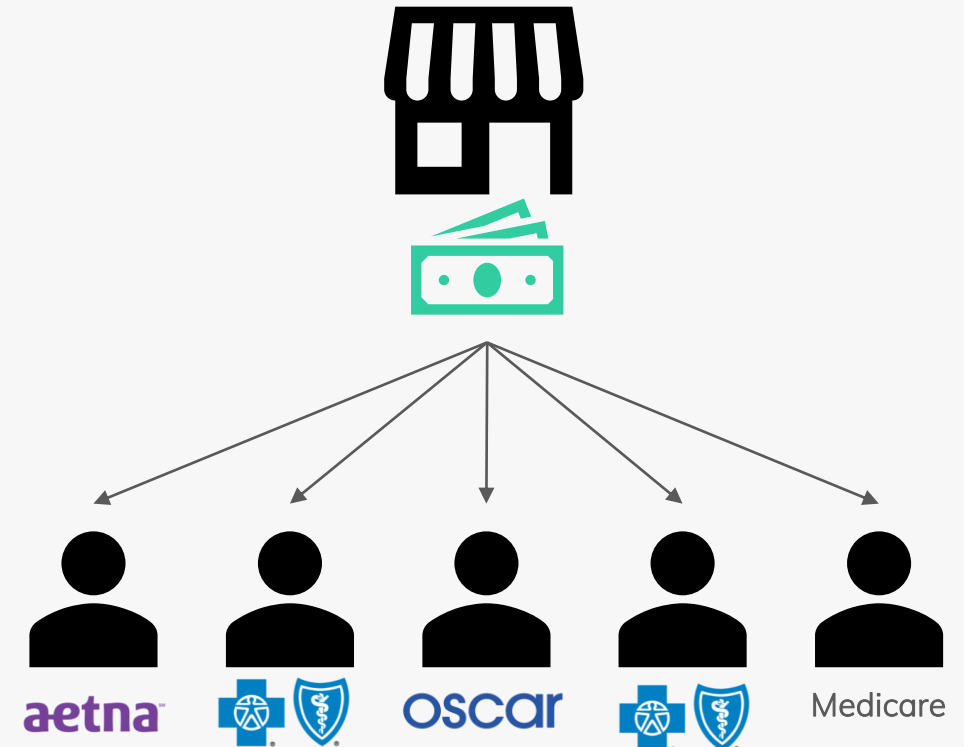
## Traditional Group Model

"Pension Plan"  
Insurance



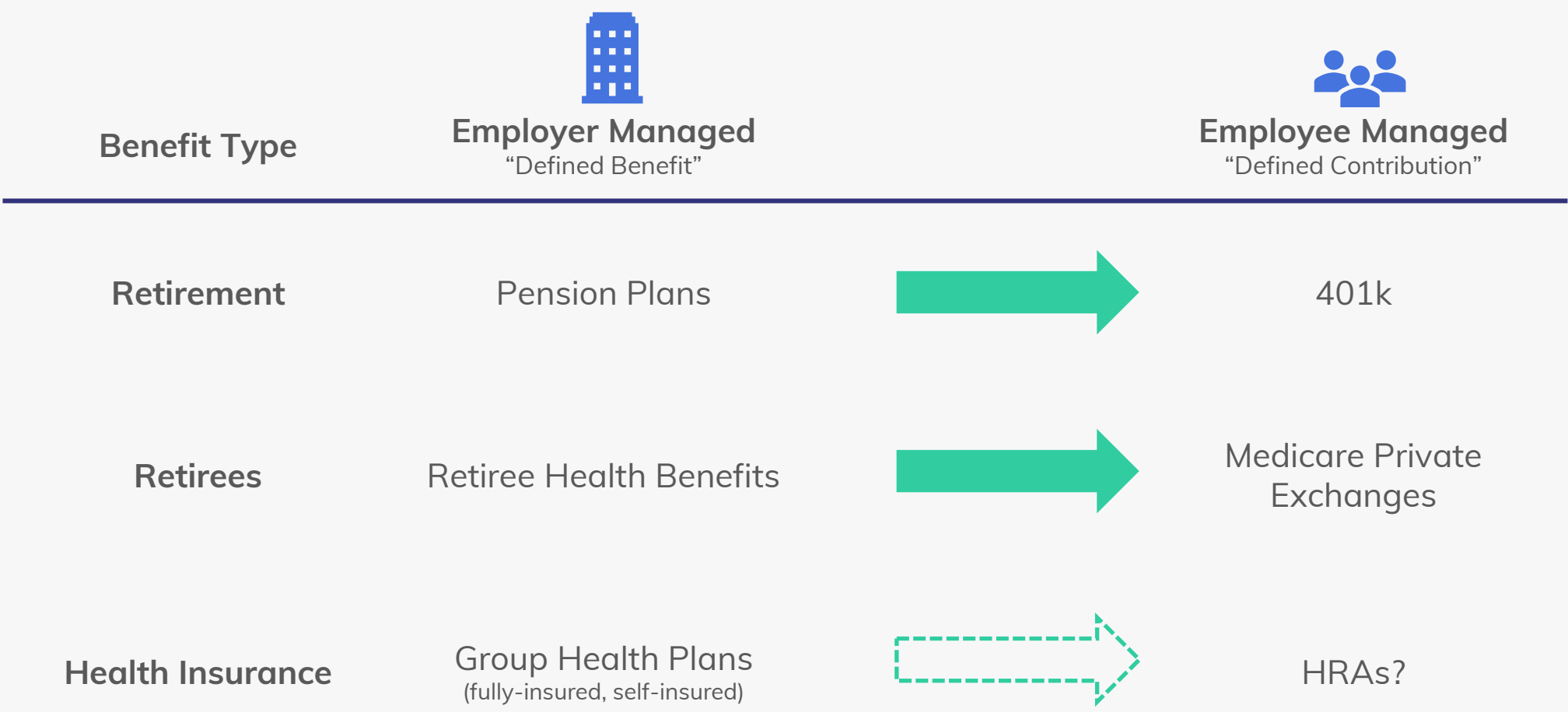
## ICHRA Model

"401(k)"  
Insurance!





# Market Trends: This represents a broader trend in the employer benefits market



ICHRA feels “new” to brokers like us, but is common for employers





# Reimbursement HRAs: How does ICHRA compare to QSEHRA?

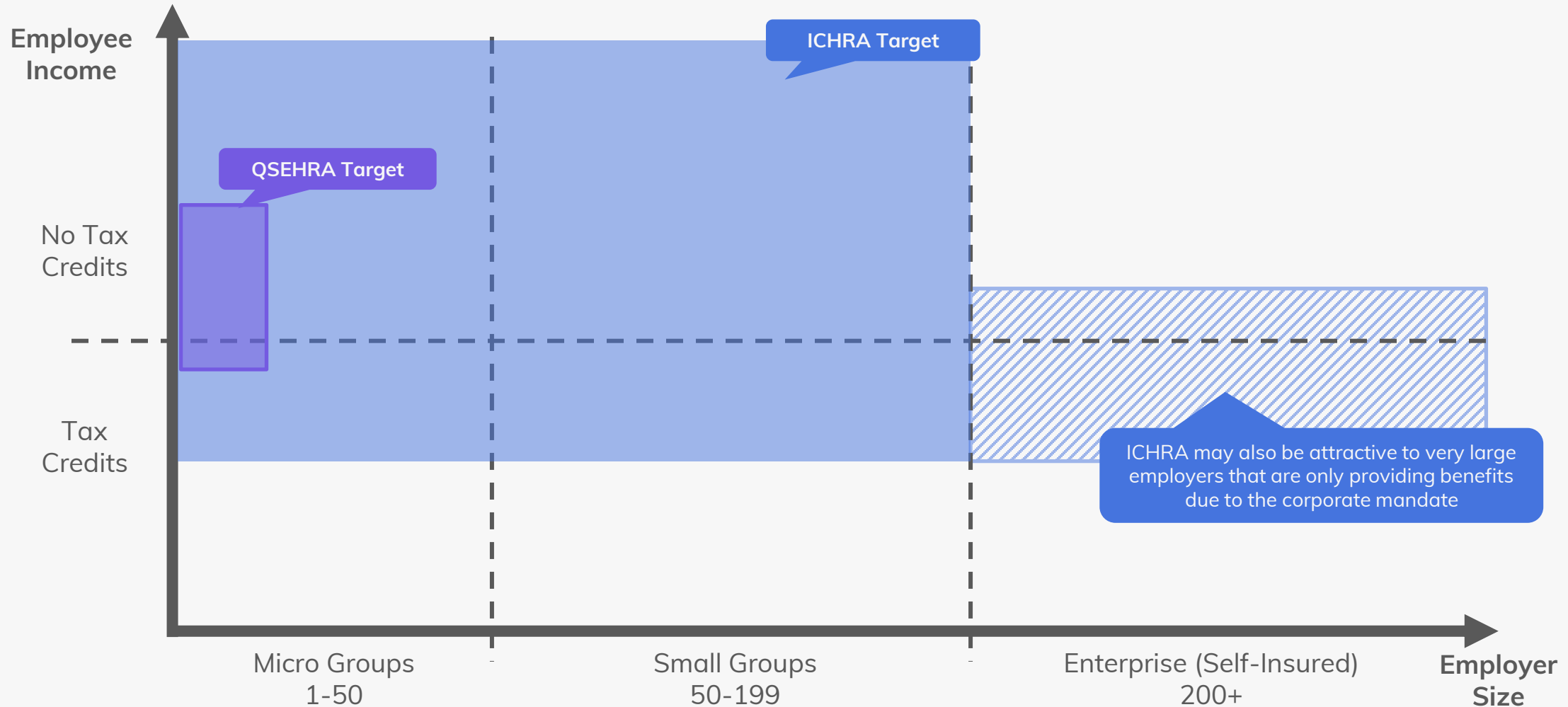
	QSEHRA Qualified Small Employer Health Reimbursement Arrangement	ICHRA Individual Coverage Health Reimbursement Arrangement
How it works	Both HRAs allow employers to reimburse employees tax-free for individual insurance	
Available	2017	2020
Size Limits	1-49	No Limit
Reimbursement Limit	\$450/mo	No Limit
Design Flexibility	"All the same"	Unlimited Classes
Works with Group Ancillary?	No	Yes







# The ICHRA greatly expands the types and size of clients you can reach





# ICHRA classes allow for flexibility and customization

## Allowable Classes

- Full-Time vs Part-Time
- Salary vs Hourly
- Employee Location
  - Residence
  - Worksite
- Seasonal
- Collective Bargaining Agreement (CBA)
- Waiting Period
- Non-resident alien
- Staffing Firm Employees
- New Hires (that start after a certain date)

➔ Combo classes: can combine any of the above!

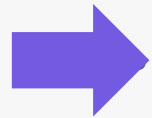
## Examples

- A** Non-Profit:
  - Full-Time: \$500/mo ICHRA
  - Part-Time: \$200/mo ICHRA
- B** Construction Firm:
  - Salary: Group Health Plan
  - Full-Time Hourly: \$400/mo ICHRA
  - Part-Time Hourly: Exclude
- C** Software Company:
  - Headquarters: Group Health Plan
  - Remote Employees:
    - \$400/mo in NY
    - \$200/mo in OK

You can also offer traditional group plans to ICHRA classes

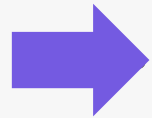


# Other Important Changes for HRAs



## **Can satisfy the employer mandate**

- An “affordable” ICHRA can satisfy ACA requirement to offer insurance
- Affordability is calculated based on the lowest cost silver plan (LCSP)
- Offer is what matters, does not matter if employees participate



## **Special Enrollment**

- QSEHRA and ICHRA will trigger a “special enrollment”
- Allows employees to enroll in an individual plan when gain eligibility for ICHRA or QSEHRA
- 60 day window

## 2 ICHRA & Coronavirus

How can ICHRA help our clients?



Your clients are on an emotional roller coaster

Anxious

Scared

Confused



 Many will need to make strategic decisions quickly





# ICHRA can become another tool in the solutions “toolbox”

Health Insurance Agent's Toolbox



ICHRA

Predictable

Portable

Flexible





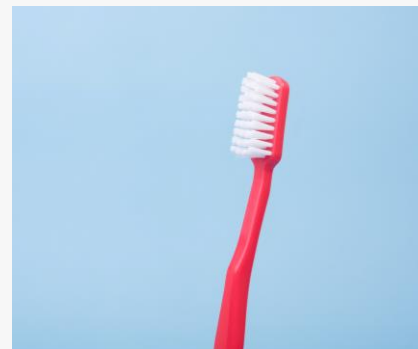
# ICHRA is predictable and budget friendly for clients who may be struggling with uncertainty

Predictable

Portable

Flexible

- Defined contribution
- No annual increases (unless employer wants to contribute more)
- If employees don't spend allowances, employer keeps



**Client Story:** Dental client wants to keep employees on payroll but needs to adhere to a tight, predictable budget. Modified ICHRA to only allow premiums (no medical expenses or spouse reimbursements)



# ICHRA provides portability for employees (they keep their plans even if they are let go)

Predictable

Portable

Flexible

- Employees “own” plans, not the employer
- If an employee is furloughed or fired, their benefits continue
- No COBRA, no deductible resets, etc



**Client Story:** Dog kennel forced to lay-off employees. Several employees have significant medical needs. Employees were able to continue current medical plans. Will receive employer reimbursements again when business re-opens.



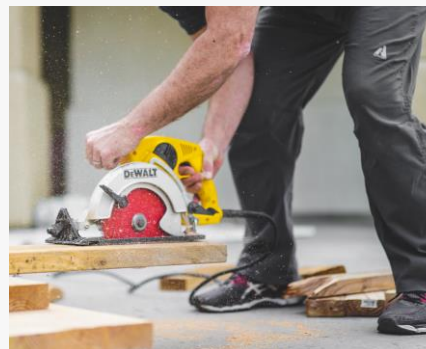
# ICHRA provides flexibility which can help clients adjust when the unexpected happens

Predictable

Portable

Flexible

- Can modify reimbursement and plan structure, not “all or nothing” like group plans
- Can modify eligibility criteria and classes
- Don’t have to worry about participation



**Client Story:** Construction firm forced to cut hours for employees was able to update ICHRA requirements to continue reimbursements

## 3 Early Adopters: What we've learned

How to bring ICHRA to your clients



# Early ICHRA adopters come from a variety of industries

## Top 12 most common industries

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1. Non-Profits
2. Associations
3. Software and Technology
4. Home Health
5. Healthcare Providers
6. Financial Services
7. Household
8. Skilled Services (Plumbing, Electric, etc.)
9. Retail
10. Manufacturing
11. Staffing
12. Hospitality

## What they looked like

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### **Participation:**

- Average enrolled by employer: 7
- Enrolled range: 1-150
- Eligible employee range: 1-350

### **Most common design “classes”:**

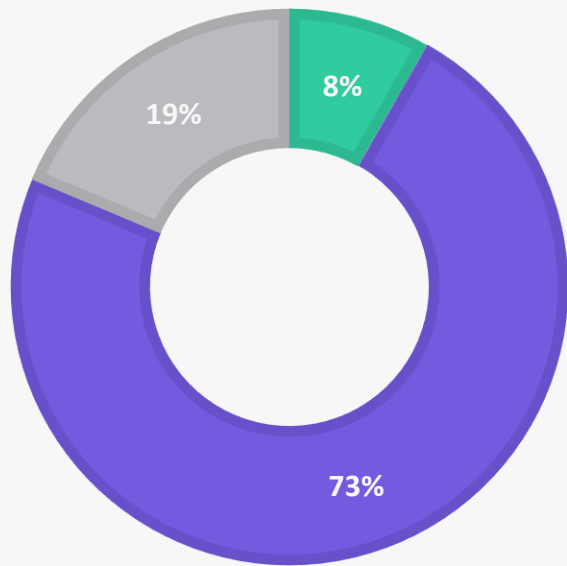
- Full-Time vs Part-Time
- Salary vs Hourly
- Location (almost all state-level)



# Many employers adopting ICHRA are new to benefits

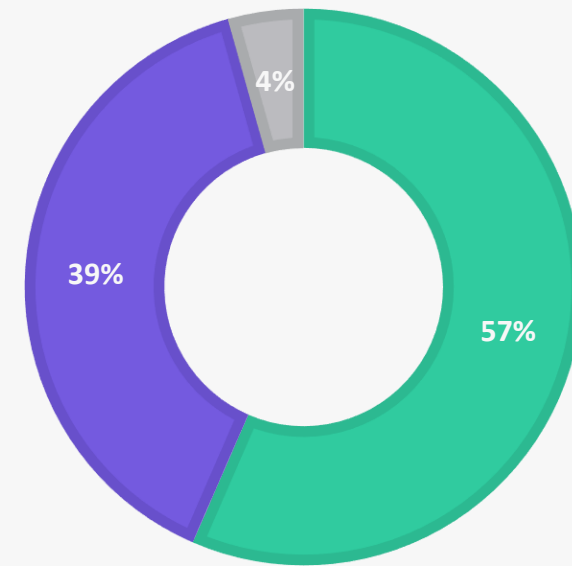
## Small Employers (<10)

■ Group Plan ■ New to Benefits ■ Reimbursing



## Larger Employers (10+)

■ Group Plan ■ New to Benefits ■ Reimbursing





Among early adopters, most were using ICHRA to solve problems or limitations with traditional group plans



Key Issue	Client Story	Examples
Risk	"Help! I'm getting a huge renewal!"	<ul style="list-style-type: none"><li>• Failing self-funded or level-funded plans</li><li>• Employers who can no longer absorb increases</li><li>• Employers with limited budgets</li></ul>





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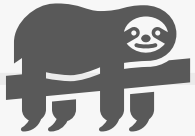


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Tax Deductions (micro employers)	"I need a way for my business/non-profit to pay for my insurance"	<ul style="list-style-type: none"><li>Small non-profits</li><li>Family-run businesses</li><li>Household employees</li><li>Sole proprietors (with a corporate entity) looking for tax deductions</li></ul>

# **Key Learning:** How you implement an ICHRA is key



## The “Lazy” Way

- Set reimbursements without ensuring affordability and compliance
- Tell employees to find a health plan on their own
- Administer the plan through a third-party administrator with little ICHRA expertise

## The “Thoughtful” Way




- Thoughtfully design classes and reimbursements to ensure affordability and compliance
- Train the employer’s HR staff & educate employees
- Provide individual plan enrollment resources (licensed agents!)
- Administer the plan through a third-party administrator with ICHRA expertise

Communication and change management is critical!



Based on what we've seen so far, we've identified 4 "tipping points" that could result in rapid ICHRA adoption

- 
- 1 Employer & broker awareness
  - 2 Individual market "good enough"
  - 3 Easy implementation and administration
  - 4 Broker compensation on par with group plans



## 4 ICHRA Case Studies

How three large employers implemented ICHRA to help their employees



# Case Study (1/3): Managing Risk

Specialty Pharmacy and Distribution Company



The employer was providing a high-level of benefits and was faced with a large renewal on their fully-insured group plan



### Company Notes:

- Specialty pharmacy
- Distribution and sales staff in multiple states
- 88 full-time eligible employees
- Management wanted to provide a high-level of benefits to employees


### Previous Health Plan:

- Fully-insured group plan
- Was paying 70% of individual and family coverage
- Was facing a very large renewal







To set ICHRA allowances (\$300-900/mo vary by age), we used a reference plan most like their previous group plan

### Previous Group Plan

Silver EPO		
	Deductible	\$5,000
	Coinsurance	20%
	Max Limit	\$6,750
	Primary Care	\$25
	Specialists	\$50
	Generic	\$20
	Brand	\$60
	ER	0% after ded.
	Urgent Care	0% after ded.

### Comparable Individual Plan

Silver EPO		
	Deductible	\$3,000
	Coinsurance	40%
	Max Limit	\$6,650
	Primary Care	\$50
	Specialists	40%
	Generic	\$0
	Brand	\$50
	ER	\$750 copay
	Urgent Care	\$100 copay

### Single Employee Contributions



Age	Total Premium	Employer Pays	Employee Pays
25	\$720	\$504	\$216
35	\$720	\$504	\$216
45	\$720	\$504	\$216
55	\$720	\$504	\$216
64	\$720	\$504	\$216

### Single Employee Reimbursements

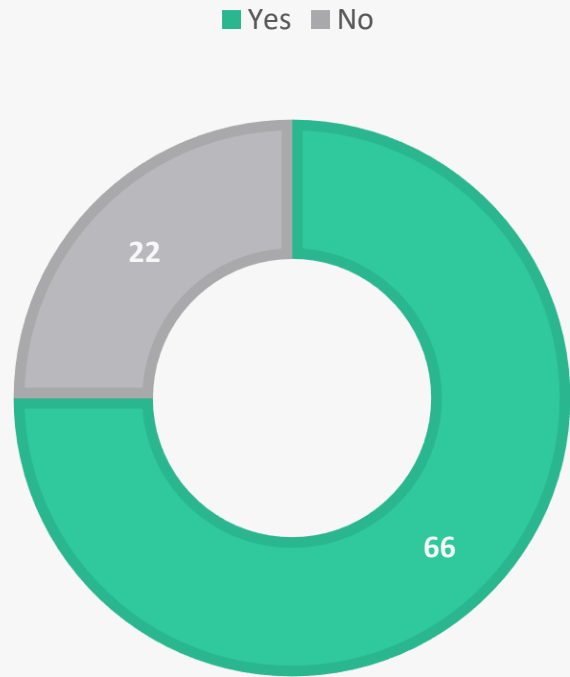


Age	Total Premium	ICHRA Allowance	Employee Pays
25	\$430	\$300	\$130
35	\$524	\$442	\$82
45	\$619	\$600	\$19
55	\$956	\$758	\$198
64	\$1,286	\$900	\$386



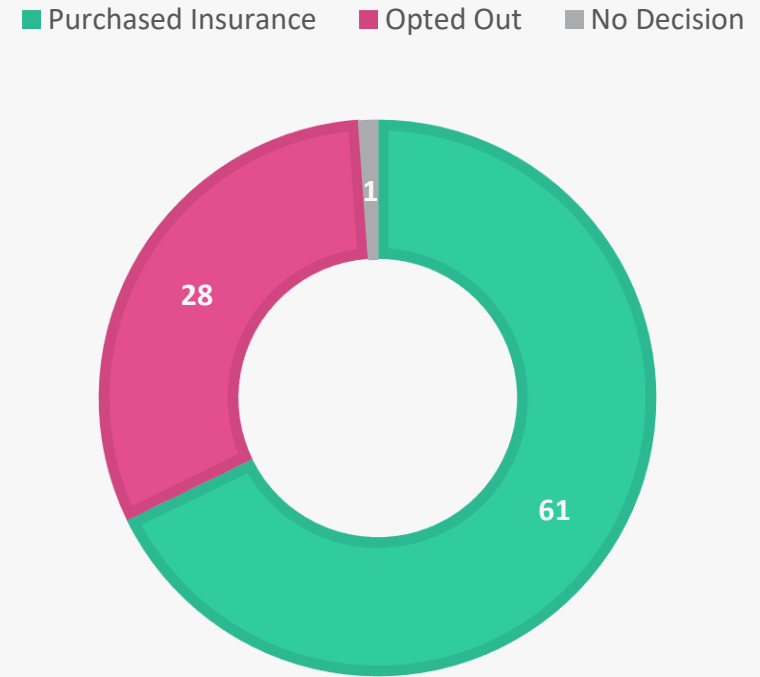
# Participation in the ICHRA was strong and employer costs remained stable

## Participation (Group Plan)



2019 Employee Only  
Costs: **\$34,000/mo**  
(Renewal was \$45,000+)

## Participation (ICHRA)



2020 Employee Only  
Reimbursements: **\$35,000/mo**



# Case Study (2/3): Flexibility

Multi-state construction firm with out-of-state claimants driving up costs



# Construction Firm was facing increased costs for out-of-area employees with high claims

## Employer Notes

### Background

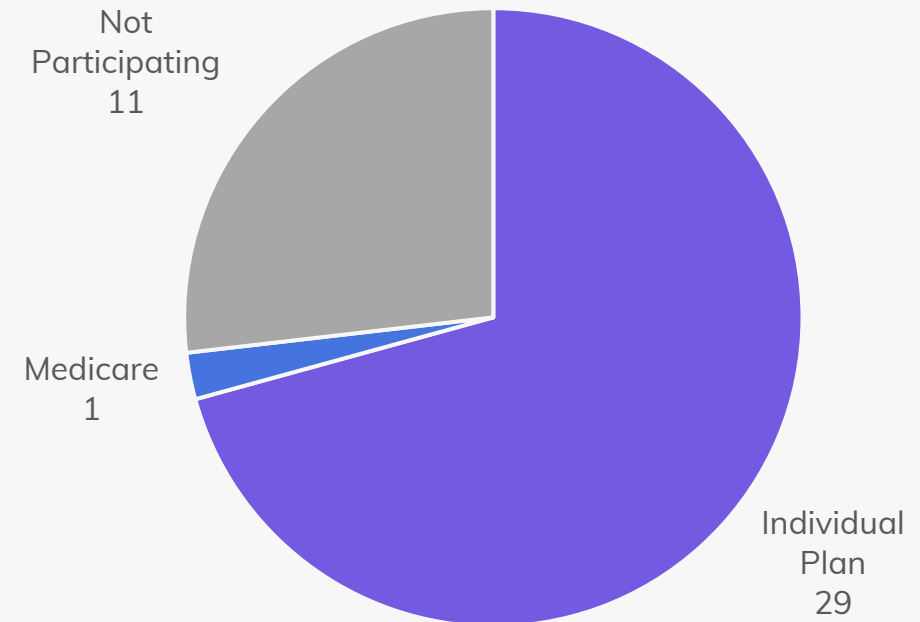
- Construction firm
- Subsidiary of Applicable Large Employer (ALE) subject to employer mandate
- 41 eligible employees in multiple states
- Was on a group plan in Pennsylvania
  - Out-of-state employees using out-of-network providers were driving up costs
  - 55% renewal rate increase
  - Single coverage was going to be \$1k/mo

### ICHRA Solution:

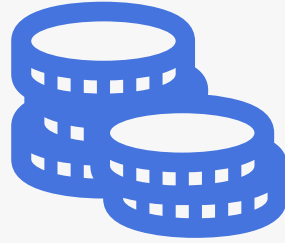
- Premiums Only
- Reimbursements vary by age \$200 - \$600/mo
- +50% for couples;  
+ 120% for family



## ICHRA Enrollment Results







# Case Study (3/3): Containing Costs

Local restaurant chain with low-wage employees just trying to meet mandate requirements



# A local burger chain had grown to 50+ employees and was required to offer benefits for the first time

## Employer Notes

### Background:

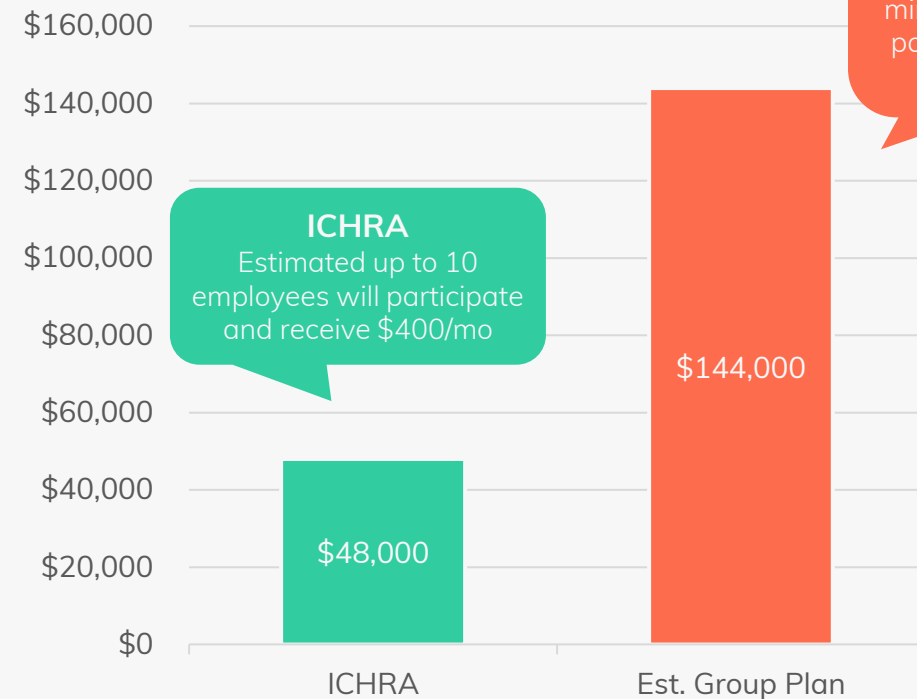
- A local burger chain with multiple locations
- Opened several new restaurants last year and is now required to provide benefits (81 eligible employees)
- No previous insurance solution, first time offering benefits

### ICHRA Solution:

- Got several group plan quotes, but couldn't meet participation because most employees didn't want (college students, young, part-time, etc)
- ICHRA Design:
  - Premiums Only
  - Reimbursements vary by age (\$125 - \$375/mo)
  - Multiple class structure



## Annual Cost Estimates



## 5 Is ICHRA a good fit for my client?

How some employers have used ICHRA!



# Initial Thoughts: Group Plans vs ICHRA

## ICHRA Loses

### ✗ Provider Networks

- Individual plans generally have narrow, HMO or EPO based networks

### ✗ Premium Pricing

- On average, individual plans are more expensive for similar coverage

These are *significant* hurdles, but vary in geography and importance to some employers (and classes)

## ICHRA Wins

### Employers

- + Cost control
- + Plan customization and flexibility
  - No minimum participation concerns
- + Risk management (for rated employers)

### Employees

- + Network agnostic
- + Plan portability
- + Plan choice & personalization

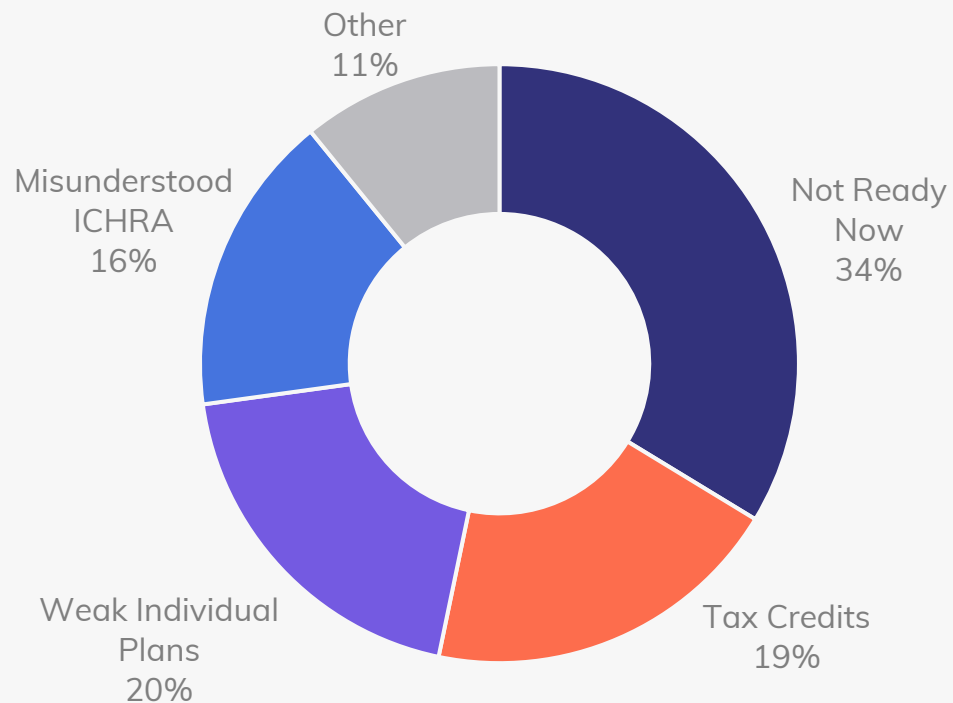
Reminder: Must consider this analysis for each employee class



# We also learned areas where ICHRA didn't work (yet)

Responses from 200+ employers that did not adopt ICHRA in Jan 2020

## Top Reasons Given



## Notes and Quotes

### Why did you not go with ICHRA?

- "We learned about ICHRA too late... will definitely consider next year"
- "Our employees can't afford the initial payments"
- "We were concerned employees would view it as a loss of benefits"
- "The deal-breaker was having to have employees pay for the plans"
- "Employees live paycheck-to-paycheck and can't float the premiums"
- "Owner wanted a PPO"
- "Employees would have to forfeit their tax credits"
- "Individual plan options felt too limited"



# ICHRA Candidates: Part-Time Paul

## Examples



## Description and Solution

### Description:

- Paul has 30 employees:
  - 10 full-time
  - 20 part-time/seasonal
- He desperately needs a benefit solution to retain his full-time staff, but can't afford to cover his part-time staff

### Benefit Solution:

- Full-Time: ICHRA (\$500/mo)
- Part-Time/Seasonal: Exclude (class out)

*Note: Paul gets to set the hourly threshold for participation in the ICHRA plan. He could also offer an ICHRA at a lower rate (ie, \$200/mo) to part-time employees*



# ICHRA Candidate: Staffing Sally

## Examples



## Description and Solution

### Description:

- Sally runs a professional staffing firm
- She's been growing but recently hit 50 employees and is now subject to the employer mandate
- She's been trying to figure out benefits but it's been a nightmare! Her employees and their expectations for benefits are really different at each different client site, plus she has her own staff to take care of!

### Benefit Solution:

- Permanent Employees: Group plan or ICHRA
- Employees at client sites: ICHRA (varying terms by client site)

*Note: Sally can offer different ICHRAs to employees at each client site and choose between an ICHRA and group plan for her own permanent staff.*





# ICHRA Candidate: Remote Ralph

## Examples



## Description and Solution

### Description:

- Ralph has a small office in Florida and a large remote team scattered across the country
- He's been offering a group plan (PPO) but the costs are getting expensive and employees are complaining about higher and higher deductibles
- He's tired of trying to choose a plan that works for everyone!

### Benefit Solution:

- Florida Office: Group plan (or ICHRA)
- Remote: ICHRA and let employees choose their own local plans that work best for them

*Note: Ralph could choose a group plan or ICHRA for his office staff in Florida. He could give all remote workers the same ICHRA or vary it by state*





# ICHRA Candidate: I Love My Group Plan Lucy

## Examples



## Description and Solution

### Description:

- Lucy loves her group plan but is struggling to maintain participation
- She's noticing that younger employees are not participating because it's too expensive
- She and a few of her long-time colleagues are getting close to Medicare age and aren't sure what they are going to do

### Benefit Solution:

- Current Employees: Keep group plan (or ICHRA + Medicare)
- New Employees: Offer an ICHRA to all new employees, allowing them to choose cheaper HMO plans

*Note: Lucy could also use other classes to segment-out groups of employees that want to stay on the group plan and offer ICHRA to others*



## Additional Resources

### **ICHRA Guide:**

<https://www.takecommandhealth.com/ichra-guide>

### **QSEHRA Guide:**

<https://www.takecommandhealth.com/qsehra-guide>

### **ICHRA vs QSEHRA Blog:**

<https://www.takecommandhealth.com/blog/individual-coverage-hra-ichra-vs.-qsehra>

### **TCH Blog:**

<https://www.takecommandhealth.com/blog>

Adding content  
daily!



# Thanks!

Contact: [Kyle@TakeCommandHealth.com](mailto:Kyle@TakeCommandHealth.com)

# Appendix

Notes if we need them!



# How does QSEHRA and ICHRA interact with Premium Tax Credits (PTC) if employees are otherwise eligible?

## QSEHRA

### Offsets

Example: Bob is eligible for a \$300/mo PTC and receives a \$200/mo QSEHRA contribution.

**Bob's PTC is reduced by \$200/mo to \$100/mo.**

Bob still gets \$300/mo but his company is paying \$200/mo that Uncle Sam would pay.

## ICHRA “Affordable”

### Not Eligible for PTC

Example: Bob is eligible for a \$300/mo PTC and receives a \$200/mo ICHRA that is considered “affordable”.

**Bob is not eligible for the PTC.**

## ICHRA “Not Affordable”

### Employee Chooses

Example: Bob is eligible for a \$300/mo PTC and receives a \$200/mo ICHRA that is considered “not affordable”.

**Bob can choose, at least annually, to “opt out” of the ICHRA and receive the PTC.**