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## How 2021 ACA premium changes will affect HRA market

September 4, 2020 by Ruth S.

The ICHRA ([individual coverage HRA](#)) and QSEHRA ([Qualified Small Employer HRA](#)) are tax-free reimbursement tools for insurance premiums (and medical expenses) purchased on the individual market health insurance, including [insurance purchased on public exchanges](#). A key component of the adoption of these HRAs is the [health of the local insurance markets](#). Here's how the 2021 ACA premium changes may affect the HRA market (and vice versa!).

For HRAs to be an effective benefits solution, employees need to have choices and the gap between individual plan prices and group plan prices should be small. But ACA exchanges, just like private group health insurance, tend to have different options each year, depending on how many carriers are in the market, and are subject to premium hikes.

A consumer looking ahead for information about 2021 health insurance plans can watch the environment in their particular state and plan ahead for potential cost and tax implications. It's best to go ahead and start doing your homework, whether you will be taking on these expenses yourself, will be reimbursed by your employer through an HRA, or will be [reimbursing your employees for health insurance](#) through a QSEHRA or ICHRA.

**Pro-tip:** We've put together a whole guide on [how to shop for individual health insurance](#) and a [health insurance 101 guide](#) if you need some more pro tips for shopping for [MEC plans for QSEHRA](#) or [qualified health plans for ICHRA](#)!

In the meantime, it's important to consider the effect the pandemic has had on the upcoming year's premiums, the link between individual health plans and HRAs, and conversely, the impact HRAs can have on the individual market.

Let's explore, shall we?

### Has COVID-19 affected health insurance premiums?

According to [a July report from the Kaiser Family Foundation](#) that surveyed 10 states that had made preliminary 2021 rates public, "overall proposed rate changes range from a 12.0% decrease to a 31.8%

increase, with more than half falling between a 2.0% decrease and 6.0% increase.”

This largely comes as a sigh of relief, especially in the wake of [Covered California](#)’s estimation of 40% premium spikes if millions of Americans become hospitalized due to COVID-19. Many were expecting major spikes in rates, especially when it comes to [small business health insurance and coronavirus](#). But take these findings with a grain of salt. Unfortunately, 43% of those surveyed didn’t yet share the impact that the pandemic has had on rates due to the developing nature of the situation. Many expect to make changes in the coming month or two.

The report also polled insurers on the specific impact the pandemic has had on rates, shining more light on the impact of the pandemic on health insurance. 37% of the 63 filings reviewed addressed this question, reporting that COVID-19 had impacted their rates anywhere from a 1.2% decrease to a 8.4% increase.

Of the 63 filings reviewed, 43% elected not to factor in coronavirus-related costs to their initial premiums estimates. They cited uncertainty, a lack of information, and the continually changing nature of the pandemic as reasons to withhold this information.

Here are some of the reasons insurers cited for premium rate changes, according to the report:

- Volatile effects on open enrollment in 2021
- Increased testing
- Widespread vaccination
- Return of delayed medical services
- Deferred care from a second wave of COVID-19

Remember, the research here is still developing. A number of the insurers polled have not yet incorporated impacts of the pandemic in their overall rate changes for 2021, the rates initially proposed are likely to change over the course of state review, and many insurers stated that they may revise their numbers. We will be keeping our eyes on this.

## How 2021 will affect HRA reimbursement rates and employers

HRA reimbursement rates will change slightly for 2021. For Qualified Small Employer HRAs, we expect the [QSEHRA 2021 limits](#) to go up with inflation, which is what they’ve done in the past. This has not, however, been announced yet.

While ICHRA has no maximum limit like QSEHRA, its reimbursement minimum (or affordability threshold) is calculated differently. An ICHRA offering is considered affordable if the lowest-cost silver plan minus the ICHRA makes the employee’s contribution affordable. Note that this applies to ALEs (applicable large employers) only.

The IRS recently set [2021 ICHRA rates](#) for households to be up to [9.83%](#) of household income, which, in addition to employees growing one year older and wages potentially changing, will incrementally affect the required ICHRA reimbursement rates for next year for ALEs, or organizations with 50 or more full time equivalent employees.

**Pro-tip:** Running an affordability analysis each year will ensure that employers using ICHRAs stay compliant. Take Command Health offers an [affordability calculator](#) where you can upload an employee census and understand your adjusted rates.

## How HRAs affect the individual health insurance market

This is our favorite part. As a startup dedicated to improving the healthcare system and driving down costs, we get really excited about it!

It’s no secret that healthcare costs in this country are too high. One important tool to combat this trend is equipping consumers with the information they need to make smart healthcare spending decisions. HRAs are a way to do that.

We would argue that many group plans encourage consumers to simply swipe their card for care and never think anything else about it. HRAs connect individuals to their healthcare decisions. They’ll shop around. They will find plans that work best for them. They will be smarter consumers. That impact alone will make great strides in fixing a broken system.

But wait, there’s more!

We believe that the influx of healthy individuals into the individual insurance market as a result of employers offering an HRA will stabilize rates and balance the risk pool. As HRAs continue to trend upward, we are excited to see how they will not only revolutionize group benefits, but the healthcare industry as well.

## Looking forward to ICHRA 2021

The second year of ICHRA is going to be exciting with a few key changes coming. In addition to updated affordability rates, the IRS released [a new draft form 1095-C](#) that asks employers to show their work and demonstrate their ICHRA's affordability level. We will keep you posted on other [2021 ICHRA](#) changes as they develop!

If you still have questions, Take Command Health is here to help! Please reach out to our team of HRA design experts and we can talk you through these rules and regulations. We also have a comprehensive guide to the [ICHRA](#), [QSEHRA](#), and an [FAQ page](#) that should clear up any questions you may have.