



ADMINISTRATOR'S GUIDE TO

# Individual Coverage HRAs (ICHRAs)

## Overview

On June 13, 2019, the U.S. departments of Health and Human Services, Labor and the Treasury (referenced collectively as 'the Departments') [issued a final rule](#) allowing employers of all sizes to fund a new kind of health reimbursement arrangement known as an individual coverage HRA (ICHRA), effective January 1, 2020.

### What is an ICHRA?

- Employers can offer an ICHRA to assist employees in paying individual health insurance premiums chosen by the employee on or off the exchange, as well as other general medical expenses (e.g. deductible, copays).
- The ICHRA has six main requirements:
  1. Participants and dependents must be enrolled in individual health insurance or Medicare to be eligible for an ICHRA.
  2. Employers may not offer both an ICHRA and a traditional group health plan to the same class of employee.
    - However, employers may offer ICHRAs in lieu of traditional group health plans to all employees, or to certain classes of employee.
    - Employers may also allow employees to use a section 125 plan to pay a portion of the premiums not paid by an ICHRA.
  3. The same terms must apply to all employees within an employee class.
  4. Employers must provide annual notice to all eligible employees (current and former employees if applicable) before the plan year. **Note:** See the 'resources' section of this document for more information on how to access a model annual notice provided by the Departments.
  5. The employer must allow participants to opt out of the ICHRA (annually during open enrollment, for newly-eligible employees, and upon termination, unless the plan otherwise prohibits further reimbursement at time employment is terminated).
  6. In addition to the standard IRS substantiation requirements, ICHRAs must also substantiate enrollment in individual health insurance or Medicare. This substantiation must be carried out both annually to be eligible for enrollment, and on an ongoing basis before each reimbursement.

## What are the main benefits of an ICHRA?

- Previously, certain small employers were able to offer a similar product, but the complexity of regulation led to low uptake. Conversely, ICHRAs offer a simpler alternative, open to a wider range of employers.
- ICHRAs promote flexibility in coverage options while also maintaining the same tax-favored status for employer contributions towards a traditional group health plan.
- With no annual employer contribution limit, ICHRAs enable small employers to offer competitive benefits, without the administrative costs of a traditional group health plan.
- Large employers can now fund individual market coverage for employees on a pre-tax basis.

## Administering ICHRAs in WCA

The WealthCare Administration system offers functionality to support ICHRAs today!

### WCA instance setup

Consider the following WCA configurations when preparing to offer ICHRAs:

- Enable ICHRA plan type codes so they can be selected during the plan setup process. See 'plan setup' section below for more information on the plan types.
- Configure service categories for ICHRA eligible expenses (premiums and medical care expenses) if you do not already have them configured in your WCA instance.
  - Service categories and service category codes (SCCs) are fully customizable in WCA; there is not a WCA system-enforced SCC specifically for ICHRA.
  - Refer to the Departments guidance on ongoing coverage substantiation and debit card utilization for ICHRAs. If you choose to card the ICHRA, there are existing medical and/or premium MCCs available in the system today; there are no new MCCs specifically for ICHRAs.
- If you allow participants to enroll or submit claims online for the ICHRA, configure an online enrollment template and a claim entry template if you do not already have them configured in your WCA instance.

## Employer setup

Set up an employer as you normally would with the following considerations:

- Configure employee divisions and classes if the employer is making employee class distinctions.
- Due to the annual individual coverage substantiation requirement, we recommend not enabling the setting allowing participants to add dependents through WealthCare Portal.
- Enable provider pay if you would like to allow participants to set up the health plan or providers as a payee.

## Plan setup

Set up an HRA plan as you normally would with the following considerations:

- Use one of the HRA plan type codes, which allows for easier tracking and reporting on ICHRA account types in WCA.
  - Use the **'ICH'** HRA account type code for a standard HRA
  - Use the **'IC2'** HRA account type code for a full feature HRA which allows single fund or embedded funding. **Note:** More information on standard vs full feature HRAs can be found in [Online Resources](#).
- We recommend using a calendar year to align with the individual market's annual enrollment period and individual health insurance coverage which is typically sold for a 12-month period ending on December 31st.

Like you would with other HRA plans, you may consider leveraging the following features and settings available in WCA:

- Set up and link a proration schedule as you normally would if offered by the plan.
- Set up fund rollover or carryover as you normally would if offered by the plan.
- If offering online enrollment for the ICHRA, you may choose to configure division and class setup to restrict who is eligible to enroll in the ICHRA online.
- Reports can be run from WCA to track who has elected ICHRA during the open enrollment period.

## Eligibility and enrollment

- You can enroll eligible participants and dependents in an ICHRA as you typically would, using available methods such as online enrollment, enrollment through

user interface, or enrollment integration via EDI or web services. Due to the annual coverage substantiation requirements for eligible participants and dependents, we don't recommend utilizing the 'auto-link dependents' feature when enrolling participants in the ICHRA plan in WCA.

- The Departments allow for multiple methods to fulfill the annual coverage substantiation requirement and have provided model attestation forms which can be customized with information specific to the employer's plan and included as part of your existing benefit offering and election process, if you choose this method (see the 'resources' section of this document for more information). In general, it is recommended that the coverage is adjudicated prior to enrolling and funding the participant's ICHRA. This method avoids additional operational processes to tracking and terminating accounts which cannot be substantiated by the plan start date, as well as reduce the risk of participants having unsubstantiated access to funds.
  - If you would like to use WCA to store the annual coverage substantiation documentation that participants provide, the following options are available:
    - Load and store documentation as a participant interaction. **Note:** Information on participant interactions can be found in [Online Resources](#).
    - If using the Alegeus fax image routing or email-to-fax features in WCA, the annual coverage substantiation documentation can be routed to the document queues, from which you will have the option to create a participant interaction with the documentation attached. **Note:** Information on imaged document management can be found in [Online Resources](#).
- If the employer chooses to offer the participant the option of keeping the ICHRA or opting out upon termination of employment, and the participant opts to keep the ICHRA, account terminations should not be sent to WCA so that the participant's ICHRA remains active.

## Claims and substantiations

You can process claims as you do today, using methods such as online claim entry, claim entry through WCA user interface, and claim integration via EDI or web services. You should also follow your current substantiation process and rules for reimbursing expenses from CDH benefit plans.

However, ICHRAs require implementing reasonable procedures to verify enrollment in individual health insurance coverage or Medicare for the month during which each

medical care expense was incurred. The Departments allow for multiple ongoing coverage substantiation methods and have provided model attestation forms for participants to complete, if you choose this method (see the 'resources' section of this document for more information).

If you would like to use WCA to store the coverage substantiation documentation provided by participants, the following options are available:

- Just as participants attach receipts to transactions today through WCP/WCM, participants can attach the coverage substantiation documentation to be reviewed during the transaction adjudication process.
- Load and store documentation as a participant interaction. **Note:** Information on participant interactions can be found in [Online Resources](#).
- If using the Alegeus fax image routing or email to fax features in WCA, the coverage substantiation documentation can be routed to the document queues, where you can create a participant interaction with the documentation attached. **Note:** Information on imaged document management can be found in [Online Resources](#).

## Additional considerations

### Employer implementation

You may want to update your employer intake form to include ICHRA (and EBHRA) plan types for employers to select and provide plan details for setup.

We recommend working with your enrollment solution provider to manage opt-out requirements and collect notifications from participants of termination or lapse in individual health coverage.

Also, consider adjusting your administrative processes and forms for the ICHRA eligibility notice, attestation, and substantiation requirements.

### Enrollment

Once an employer decides to offer an ICHRA, the employer must provide written notice to all employees (including former employees) who are eligible for the employer's individual coverage HRA. The Departments have provided a model eligibility notice which can be customized with information specific to the employer's plan and can be included as part of the employer's benefit offering process (see the 'resources' section of this document for more information).

## Plan documents and CMS Medicare reporting

Like any other HRA, an ICHRA must be maintained pursuant to a written plan document that addresses typical plan provisions (e.g., eligibility, reimbursement, and claims procedures), as well as provisions that are unique to an ICHRA (e.g., the requirement to forfeit benefits if individual market coverage or Medicare coverage is no longer maintained).

Also, an ICHRA is subject to MMSEA Section 111 reporting requirements in the same manner as other HRAs.

## FAQ

### **Q: Who is responsible for the substantiation of 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: Can the employer define which expenses are considered eligible for ICHRA reimbursement.**

**A:** Yes, the expenses eligible for reimbursement under an ICHRA can be defined by the plan sponsor as a matter of plan design, so long as the expenses are 'medical care' within the meaning of Internal Revenue Code Section 213(d).

### **Q: If an employee waives ICHRA participation to preserve tax credits, subsidies, etc. through the exchange, how is the employer protected from paying a penalty because an 'eligible' EE is obtaining subsidies?**

**A:** An 'applicable large employer' (ALE) that is subject to the ACA employer shared responsibility mandate is protected from the penalty under Internal Revenue Code Section 4980H(b) only if the coverage offered through the ICHRA is 'affordable.' In general, coverage under an ICHRA is affordable if the excess of (1) the monthly premium for the lowest cost silver plan for self-only coverage available to the employee through the Exchange for the rating area in which the employee resides; over (2) the monthly self-only ICHRA amount made available does not exceed 9.5% (as adjusted for inflation) of the employee's household income.

The IRS is also considering allowing employers to use the lowest cost silver plan premium available on the Exchange for the rating area in which the employee's primary worksite is located, which would avoid the need to track residency for each employee.

The IRS has said that the affordability safe harbors under Code Section 4980H(b) can be utilized. Thus, for example, if the amount the employee would have to pay for the lowest cost silver plan in the relevant rating area, after taking into account the new ICHRA dollars available, is less than 9.5% (as adjusted) of the federal poverty line, the ICHRA coverage would be affordable for purposes of Code Section 4980H(b) (pursuant to the FPL safe harbor) without regard to the employee's actual household income.

## Resources

Want to know more about ICHRA or EBHRA? Below are some additional resources to help you navigate these new regulations.

- View [the official ruling](#) from the U.S. departments of Health and Human Services, Labor and the Treasury.
- [FAQs on New Health Coverage Options for Employers and Employees](#) – This document is maintained by the IRS and offers answers to commonly asked questions about these new rules. **Important:** From this document, you can access model ICHRA employee notice and attestation forms.
- View the Alegeus blog post on the ruling: [Individual Coverage and Excepted Benefit HRAs Are in Play for 2020 Plan Start Dates](#)
- View or download the Alegeus webinar: [New HRA Revisions Effective for 2020 Plan Start Dates](#)