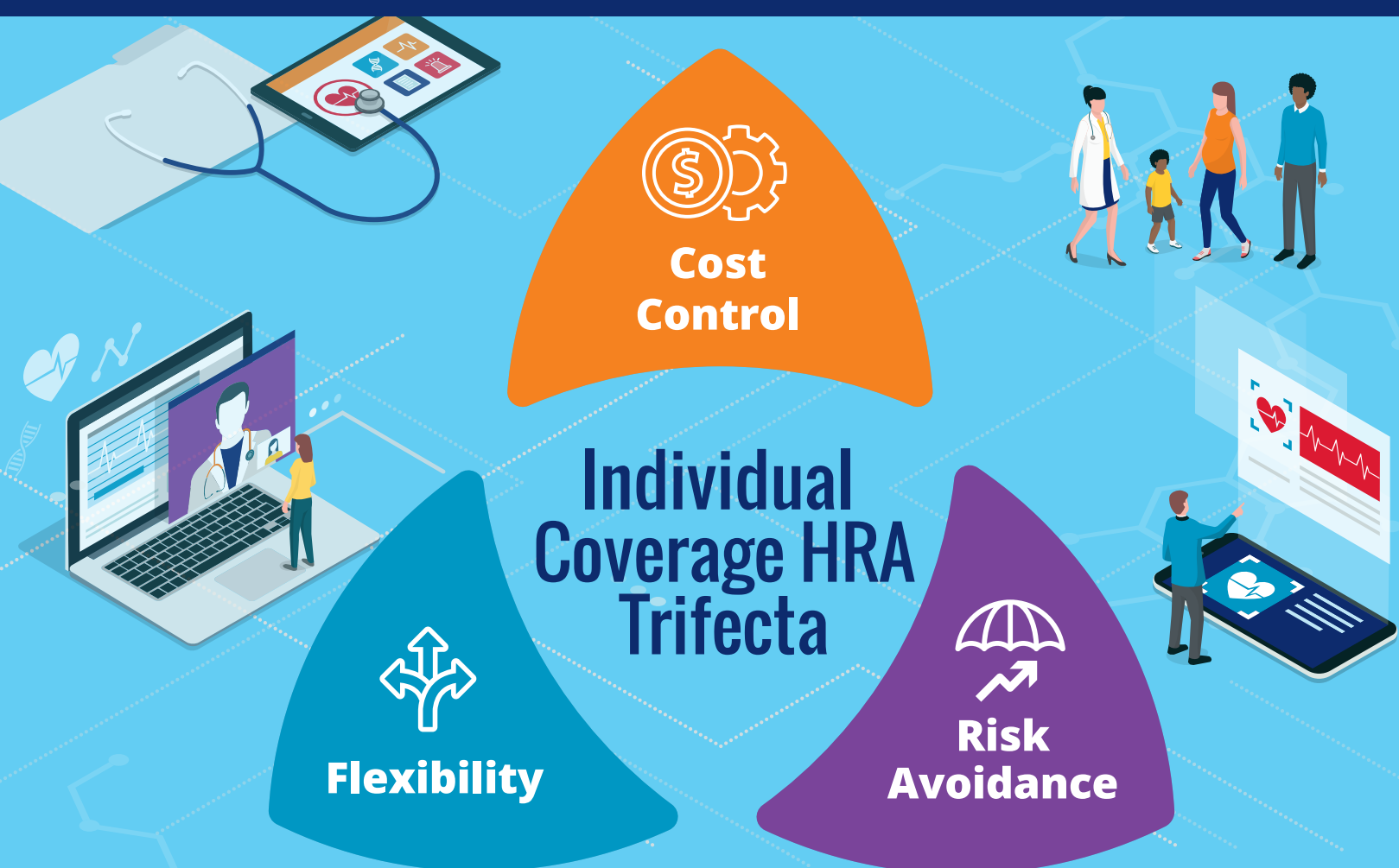




When it comes to offering healthcare benefits to employees, traditional group coverage has generally been the front runner.

However, effective January 1, 2020, there's a new entrant to the field—Individual Coverage Health Reimbursement Arrangements (ICHRA).

As the name indicates, these HRAs are used to purchase individual coverage. With an ICHRA the employer creates an account for each employee and funds an employer-determined amount that can be used to purchase healthcare.

This new type of benefits arrangement offers employers three not-to-be-ignored advantages.

Cost Control	Risk Avoidance	Flexibility
ICHRAs enable the employer to define the amount of ICHRA funding for each class of employee. (Think defined contribution for healthcare.) This shields the employer from annual large premium increases and the potential cost variability inherent in self-insurance while still providing a healthcare benefit.	With traditional group coverage, the employer assumes much of the risk for employees' health and healthcare usage by footing most of the cost of fully insured plan coverage and then absorbing premium increases year over year. Self-insured employers bear the risk of healthcare costs directly as they pay for claims out of their own reserves.	ICHRAs allow employers to cover various types of employees differently. That means an employer can create employee classes and have different approaches for each subset. It's even possible for an employer to decide to discontinue group coverage in favor of an ICHRA arrangement for all employees.

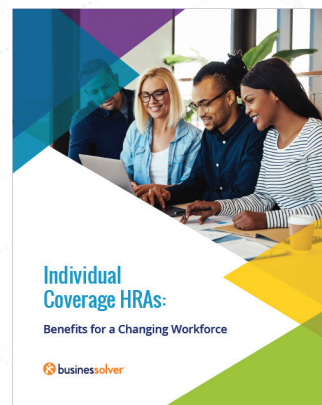
Here are some sample scenarios of how an employer can leverage an ICHRA.

Scenario	Traditional group coverage	ICHRA
Extend benefits to ineligible employees	Full-time employees	- Part-timers - Seasonal or temp - New hires in waiting period
Adopt a hybrid model <i>(some classes have ICHRA/ some have group coverage)</i>	- New employees after 90 days - Union employees - Corporate employees in North Dakota, for example	- New hires during first 90 days - Salaried employees - Distribution center employees in Tennessee, for example
Transition to ICHRAs	Existing employees	New hires
Replace group coverage with ICHRAs	Discontinued	All employees

Employers looking for a creative, cost-saving approach to benefits delivery should consider ICHRAs. These plans enable an employer to offer healthcare benefits while avoiding the runaway costs and open-ended risk of traditional group coverage, with the added bonus of a significant degree of flexibility to address the needs of different groups in an organization.

When you combine the need to manage costs and risk with the race to recruit and retain talent, our money is on the ICHRA as a viable option for today's employers.

Want to know more about how you can use ICHRAs to meet the needs of part-time employees? [Read our white paper.](#)



Read our white paper