

# ICHRA Myths vs. Facts



Let's set the record straight about ICHRAs. As with any new product or service, misconceptions can arise about value, scope, and purpose. Our "Myths vs. Facts" FAQ explains how ICHRAs create another option for employers to provide employees with comprehensive, ACA-compliant health coverage.



**Claim:** Individual Coverage Health Reimbursement Arrangements (ICHRAs) weaken the quality of benefits that employees receive from their employers.

**FACT:** Both QSEHRAs and ICHRAs enhance the benefits employers can offer employees. ICHRAs are based on the Qualified Small Employer Health Reimbursement Arrangement (QSEHRAs) enacted by Congress in 2016 in an overwhelmingly bipartisan vote and signed into law by President Obama. The updated rules permit employers of all sizes (not simply those with fewer than 50 employees) to reimburse premiums for individual market coverage selected by employees. The coverage must comply with the requirements of the Affordable Care Act (ACA). ICHRAs and QSEHRAs are a modern form of employer-financed health coverage. These new options are an on-ramp to benefits and can increase the number of employees with ACA-compliant health coverage.



**Claim:** American employers don't need better options for providing health insurance and other benefits to their employees.

**FACT:** Employers of all sizes need better health coverage options for employees. Between 2010 and 2020, the percentage of employees covered by their firm's health benefits declined from 44% to 34% at firms with 3 to 24 employees, from 59% to 41% at firms with 25 to 49 employees, and from 60% to 58% at firms with 50 to 199 employees. Data collected from 2020-2023 shows ICHRA and QSEHRA are an on-ramp to benefits for employers who have never before offered health insurance, and empower more employers to offer coverage to more employees of all descriptions: remote, hybrid, full and part-time, seasonal, etc. The Department of Treasury modeling projects that the ICHRA rule will cut the number of uninsured Americans by about one million people by 2025.



**Claim:** Employees in an ICHRA plan will no longer receive quality health coverage. Instead, they will be given a stipend and forced to find coverage on the Obamacare exchanges. Health insurance on the exchanges covers less and is more expensive.

**FACT:** Federal rules require ACA-compliant health plans ("Obamacare") to be comprehensive and offer ten essential health benefits.

ICHRAs and QSEHRAs permit employers to reimburse premiums for ACA-compliant individual market coverage the employees select based on their own needs. Contrast this with a traditional group health plan in which the employer selects a limited number of coverage options for their employees to consider. In 2020, 74% of firms offering group health insurance only provided employees with one type of health plan.

Now, ACA health coverage is more robust than ever, so HRAs give employees significantly more choice and control over their health insurance. Economic research shows that employees value health coverage choices. A 2013 study in the American Economic Journal estimated that the median gain of additional insurance options for employees equaled 13% of premiums.



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The HRA Council is a 501 (c)(6) non-profit organization made up of health insurance leaders, brokers, administrators, insurers, support organizations, and employers offering defined contribution health coverage. As a non-partisan group of advocates, we work with stakeholders and policymakers to identify barriers, reduce process friction and administrative burdens, promote best practices, strengthen the health insurance landscape, and increase consumer access, affordability and choice.

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**Claim:** Workers have to pay “out of pocket” for any plan that costs more than their reimbursement allowance.

**FACT:** Most employees currently locked into a group plan their employers chose for them, already pay out-of-pocket, with this amount steadily increasing with the trend of employers shifting costs to employees in traditional group plans. In 2020, workers with single coverage had an average contribution of \$1,243 annually, and workers with family coverage had an average contribution of \$5,588 annually.

If an employee uses an ICHRA or QSEHRA to purchase an individual market plan that costs more than the amount of their employer contribution, the employee will cover that amount.



**Claim:** Employers will push sicker employees into exchanges and make those exchanges more expensive for everyone.

**FACT:** The Departments of Health and Human Services, Labor, and the Treasury properly structured the ICHRA rules to prevent discrimination. The rules prohibit bundling high-claim employees into the individual market. Data gathered in 2020-2023 show ICHRA and QSEHRA bringing younger workers into the ACA Marketplace, improving the overall risk pool. An examination of the historic 2023 open enrollment shows more insurer participation and a stronger individual market.

The ICHRA rules strike the right balance between employer flexibility and guardrails to protect individuals. Moreover, employers that provide an ICHRA must do so on the same terms for all employees in a class of employees, with the helpful guidance that they may increase the HRA amount for older employees and employees with more dependents, to offset the longstanding trend of insurers charging higher premiums for older people.



**Claim:** The burden of finding the right health care plan would be entirely borne by workers with no support from their employers.

**FACT:** Many ICHRA and QSEHRA administrators, including members of the HRA Council, actively help employees enroll in the coverage best suited for them. In addition, professional brokers are available throughout the United States to assist employees in selecting the best plan for their needs. These free services from an independent broker are a widely used resource.

Remember: the HRA defined contribution structure for health insurance is like popular 401(k) and 403(b) plans for retirement savings; employers provide a set amount of funds, with employees having more control over their investment selection.



**Claim:** The ICHRA system allows workers to be divided into classes by their employers, with some receiving traditional job-based coverage and others pushed into the individual market.

**FACT:** The 11 “classes” for ICHRA expand coverage and create more robust compensation packages that are better for employees in our modern distributed working environment. A company with employees in 3 states (or 30 or 50) can create a “class” for each location and fund an ICHRA so people can select health plans with their local doctors and provider networks. ICHRA classes allow employers to offer coverage for part-time and seasonal workers who previously were left out of traditional group plans.



All facts disseminated by the HRA Council about ICHRA/QSEHRA are reviewed and verified by a bipartisan group of policy advisors and Member-led Committees representing all sectors of the health coverage industry.



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