



THE COMPLETE ICHRA GUIDE



Everything you
need to know about
Individual Coverage
Health Reimbursement
Arrangements from Start
to Finish

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About Flyte HCM

Flyte HCM is dedicated to helping employers and insurance professionals achieve a successful benefits administration and HR experience. We specialize in health benefit plan design, plan administration, compliance and HR services.



What We Value:

- The heart of why we do what we do is always about one thing: **the people**. There is tremendous value in the business relationship we build together.
- **Breaking down complexity.** Employee benefits can be complicated. We want to simplify it and make it easier for the everyday employer to understand.
- **Simple technology.** This is another area where it shouldn't be complicated! We innovate processes with technology where needed to increase efficiency and accuracy while still maintaining the person-to-person contact.
- **Boutique-style customer service.** We exist to serve the needs of our partners and clients. We don't want you to get lost in a phone system, or have a question go unanswered. We keep the connection open and check in with you regularly.
- **Always growing, always learning.** We are committed to maintaining a dynamic learning environment within our organization so our employees can blossom and experience new opportunities.

To learn more about Flyte HCM, visit our website: www.flytehcm.com

For answers to your plan benefit & HR questions, reach out here: support@flytehcm.com

For plan set up or partnership opportunities, reach out here: sales@flytehcm.com



*“ICHRA is the bridge
from where benefits
were, to where they
are **going**.”*

History of ICHRA

In order to define an ICHRA (Individual Coverage Health Reimbursement Arrangement), we must first define what a HRA (Health Reimbursement Arrangement) is.



A HRA is an employer-funded, tax-advantaged health reimbursement plan that allows the employer to set aside a specific amount of pre-tax dollars for their employees to pay for health care expenses such as out-of-pocket medical expenses and health insurance premiums.

Typically the HRA process is done with the help of a third party administrator. Employees choose the health care services they need and purchase them with their own money. They submit documentation of the eligible expense to the administrator. The documentation is reviewed and as long as everything was submitted correctly, the employee is reimbursed their monthly allowance amount on a tax-free basis.

HRAs are not a new thing. They have been around since 1974 when Congress introduced them through the Employee Retirement Income Security Act (ERISA). They began as a benefit that worked alongside a group health insurance policy. Fast forward to the 2000s, they became a stand-alone benefit which could be integrated with both group and individual coverage.

With the start of the Affordable Care Act in 2013, HRAs became limited again to work only with group coverage, used as a stand-alone benefit for one person, or used as a retiree HRA.

It wouldn't be long until HRAs expanded again. In December of 2016, the 21st Century Cures Act was signed into law. This law was designed to help accelerate medical product development and bring new innovations to patients who need them faster and more efficiently. Within this law, the qualified small employer HRA (QSEHRA) was created for businesses with fewer than 50 employees.

Two years later, the U.S. Departments of the Treasury, Health and Human Services, and Labor issued a proposed regulation that expanded the usability of HRAs once again. The proposed regulation would permit HRAs to reimburse employees for the cost of individual insurance coverage, called the Individual Coverage HRA (ICHRA). The final rule was issued in June 2019 for ICHRAs to begin starting January 1, 2020.

How ICHRA Works

4 EASY STEPS

The ICHRA platform is a simple four-step process:



Step 1: Plan Design

As a business you design a plan that fits your needs, including defining reimbursement limits and setting employee eligibility requirements.



Step 2: Go Shopping

Employees purchase individual insurance specific to their personal and family needs. These include on or off-exchange coverage, Medicare Parts A & B, or Part C.



Step 3: Submit Claims

Depending on the plan design, employees submit their insurance premium expenses in the form of a claim for reimbursement.



Step 4: Reimbursement

Employees are reimbursed for their approved claims.

Designing an ICHRA



One of the great things about ICHRA plans is that they can be customized for the organizations' unique needs. They are flexible, but also have a few important guidelines to follow so that the benefit is offered fairly to groups of employees (or "classes").

- There is no limit as to how much an employer can offer for reimbursement, as long as it's offered fairly to each class of employees.
- Employers can choose what types of medical expenses can be reimbursed. Types of expenses can range from things such as prescriptions, doctor visits, co-pays, dental procedures, etc.
- There are no size restrictions. ICHRA works for all sizes of businesses, whether it's a small startup or a large corporation and everything in between.
- Employers can choose how to structure reimbursements, whether reimbursements are varied by age or family size, or perhaps they want to make it simple and give all employees the same amount.
- If an employer wants to get creative, they can offer different reimbursements to different classes of employees. For example, they could offer one set of reimbursements rules to part-time employees, and a different set of reimbursement rules to full-time employees. This is where the 11 defined employee classes come into play.

Employee Classes & Considerations

The 11 defined employee classes are as follows:

1. Full-time Employees
2. Part-time Employees
3. Seasonal Employees
4. Employees covered by a collective bargaining agreement
5. Employees who have not satisfied a waiting period for coverage
6. Non-resident aliens with no US-based income
7. Employees whose primary site of employment is in the same rating area
8. Salaried Employees
9. Non-Salaried Employees
10. Temporary Employees of a staffing firm
11. A combination of two or more of the above classes

Affordability

The Employer Mandate through the Affordable Care Act requires that employers over 50 full-time equivalent (FTE) employees offer health insurance to their employees. Employers over 50 who do not offer health insurance coverage to their employees are subject to large penalties.

An ICHRA plan can satisfy the Employer Mandate as long as it is designed to be “affordable”. The IRS definition of affordability with an ICHRA plan is:

“An ICHRA is affordable if the remaining amount an employee has to pay for a self-only silver plan on the exchange is less than 9.78% of the employee’s household income (as of 2020).”



The IRS has established several Safe Harbors to use in order for employers to estimate the correct amounts to make an affordability determination.

Premium Tax Credits

Small employers that are not subject to the Employer Mandate may choose to either offer an “affordable” ICHRA plan, or an “unaffordable” ICHRA plan. This is where tax credits for employees could come into play. If the ICHRA is considered affordable, then employees are not eligible for tax credits. If the ICHRA is unaffordable, then employees can choose between tax credits or the ICHRA. In some cases, employers may want to offer an unaffordable ICHRA plan so that their employees can receive tax credits.

Special Enrollment Periods

To enroll in an individual health plan, it must be within the Open Enrollment period which typically runs from November to December. Outside of Open Enrollment, a qualifying event must be triggered in order to purchase a plan, which is usually the birth of a child, a marriage, a divorce or moving. One of the great things about ICHRA is that when an employer decides to offer it, it automatically triggers a special enrollment period which gives employees 60 days to purchase a health plan. This adds flexibility for the employer because they can set up an ICHRA anytime during the year.



Is ICHRA the Right Fit?

In today's workplace landscape, offering employee benefits is an important aspect for any business in order to attract talent and retain employees. An ICHRA plan is a great option for many businesses that may not be able to afford traditional group health insurance but still want to offer a benefit.



As with any type of benefit plan, it's important to look at the plan details and considerations and make a determination as to whether it would be a good fit for your company. Flyte HCM can consult on ICHRA setup and provide the right tools and administration for your benefit plan to be a success.

As mentioned previously, ICHRA is flexible and can work with any size business, but here are some business scenarios where the ICHRA may be the best fit:

- The business is subject to the ACA's Employer Mandate and wants to comply with an option other than a traditional group plan model.
- The business wants to limit eligibility for benefits or add variances to eligibility by one of the 11 employee classes.
- The business has employees with premium tax credits who want to have the choice to participate in the ICHRA or not.

Plan Design Options



STRATEGY

1

Option 1: Premium Reimbursement-Only

Employers have two options to determine the amount of reimbursement they want to give employees and possibly their families.

Employer sets a predetermined amount of money for a specific class of employee.
Example: Employer wants to pay \$200 per month for all full time employees.

Employers choose a predetermined percentage of a bronze group health plan and give all of their employees the same percentage using the age banded rate for a class of Employee.
Example: Employer wants to pay 70% of John's premium each month. John is 39 years old and his premium is \$350.

2

Option 2: Premium Reimbursement + Pretax*

Employers have all the same choices as option 1, but they also have the option to pretax any excess premium not covered by the set reimbursement amount. This could include family premiums as well. *Example: John's premium is \$350. Employer contributes \$245. The remaining \$105 in premium can be taken out of payroll on a pretax deduction. (A Premium Only Pretax Plan is required for this option).*

*This plan is eligible for Flyte's Direct Pay option. After the first premium payment is made to the carrier, Flyte can send remaining monthly premium payments to the carrier on behalf of the employee.

3

Option 3: Premium Reimbursement + Pretax + Medical Expenses*

Employers have all of options 1 or 2, plus the ability to add an additional amount of tax free money, predetermined by the employer for medical expenses. *Example: John will receive \$245 a month reimbursement towards their premium and have an additional bucket of \$1200 a year for additional medical expenses (also known as 213d expenses). The remaining \$105 of the premium can be pre-taxed.*

Note: all options are eligible to have an employer sponsored HSA and/or FSA added.

*This plan is eligible for Flyte's Direct Pay option. After the first premium payment is made to the carrier, Flyte can send remaining monthly premium payments to the carrier on behalf of the employee.

ICHRA Plan Setup Questions



COLLABORATION

Eligibility

- What class/classes of employee is eligible to participate?
 - Full-time and part-time employee status
 - Salaried or non-salaried workers
 - Seasonal or temporary staff
 - Geographic rating areas
 - Coverage waiting periods (more info on www.ICHRA.com)
- Is your business located in more than one location or state?

Plan

- What type of ICHRA plan do you want to offer?
 - Reference Flyte ICHRA plan options
- How involved do you want to be administratively? (Note: pretaxing requires more involvement from the employer)
- Do you want to offer any other benefit alongside the plan like HSA or FSA?
- When do you want the plan to start?

Amount

- How much do you want to reimburse?
- Do you want to tier it by age?
- Will you give additional amounts for Spouse and Dependents?
- If you are an applicable large employer, do those amounts meet affordability?

Need assistance answering these questions? Flyte can help!

Next Steps Checklist



Key Steps to a Successful ICHRA Plan (after Initial Plan design questions are answered)

Prior to plan Start date

Proposal acceptance, signed application returned and initial plan design

Flyte Team introduction (Initial Notice finalized)

Initial Notice and Enrollment form generated and sent for review

Initial Notice sent to all eligible employees by the employer

Company confirmation signed and sent back to Flyte

Employer portals are initialized and plan is activated

Client prepares enrollment data

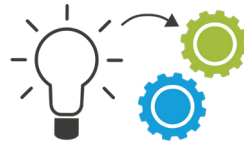
Funding and client training is finalized

Employee enrollment entered in by Flyte and employee portals activated

Plan Implementation Complete

Plan Effective Date

Tools & Resources



IMPLEMENTATION

Flyte HCM is your administrative partner that helps your company's implementation process go smoothly from start to finish, resulting in a successful ICHRA plan.

To better serve you, we offer a range of tools and resources that help. Explore the options and let us know how we can help!



Visit our complete ICHRA website for everything you need to know related to ICHRA, from specific definitions to FAQs to ongoing blog posts: www.ICHRA.com

To see ICHRA plan pricing, download helpful documents and infographics or to sign up online, visit our ICHRA page on Flyte HCM's website: www.FlyteHCM.com/ICHRA

If your business may have over 50 FTE employees, our Applicable Large Employer (ALE) Calculation Worksheet is a great resource for determining the correct count. Download it on Flyte HCM's MEC page: <https://flytehcm.com/mec>

Health+Choice

HealthChoice is Flyte HCM's insurance exchange solution to enroll your employees in their individual insurance plan. Their shopping experience is simple and streamlined with this modern and efficient online tool. Want to see how it works? Watch our demo at <https://healthchoice.app/demo/>

Helpful Contact Information:

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ICHRA Administration *Small Group*

ICHRA Plan Administration Setup

in four simple steps:

Step 1: Plan Design

As a business you design a plan that fits your needs, including defining reimbursement limits and setting employee eligibility requirements.

Step 2: Go Shopping

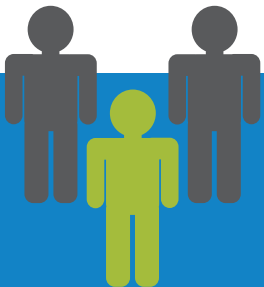
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Step 3: Submit Claims

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Step 4: Reimbursement

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Small Group Pricing - No Setup Fees!

Annual Documentation Fee: \$300

Monthly Administration: \$8 pepm - \$59 monthly minimum

Pay premium directly to carrier Add-on: \$5 pepm - \$20 monthly min.



Sign up by email or online:

Email: Quotes@FlyteHCM.com

Web: FlyteHCM.com/ICHRA