

# Individual Coverage Health Reimbursement Arrangement (ICHRA) Compliance Basics

**2025**

## Information

- Individual Coverage Health Reimbursement Arrangement (ICHRA) Compliance can be a complicated and confusing topic, that's why URL works with our valuable ICHRA Partners to assist in administering this alternative to group health insurance.
- Setting up and administering an ICHRA is not rocket science, but there are certain ICHRA rules and ICHRA requirements that can't go overlooked:
  - Here are a few ICHRA administration must haves:
    - Legal Plan Documents (subject to ERISA)
    - COBRA Administration
    - Process to substantiate employee claims
    - Reimbursement mechanism
    - Record-keeping and Tax Reporting
  - The above is the bare minimum for ICHRA administrators or an HRA partner.
- ICHRA is Considered a group health plan, so it is subject to COBRA and ERISA.
  - Since employees are required to have their own individual health plans under ICHRA, the employees' health insurance will automatically continue even they lose their job.
  - With the COBRA option through an ICHRA plan, employees will have the opportunity to continue to receive reimbursements through the HRA after paying an additional monthly premium to the employer.

- COBRA rates are set by the employers at the beginning of the plan year for each separate ICHRA employee class.
  - To determine the COBRA plans cost there are two options:
    - Actuarial – ICHRA monthly allowance plus 2% administration fee = COBRA premium
    - Past cost – Average amount reimbursed per employee during the previous plan year plus inflation factor plus 2% administration fee = COBRA Premium
- If an employee loses their individual health insurance, while under the ICHRA, by failing to pay their premiums they will not be eligible for COBRA.
- Employers are subject to Tax Penalties if they fail to meet COBRA requirements.
  - Penalties could be as much as \$100 per qualified beneficiary, but not more than \$200 per family, for each day that the employer is in violation of COBRA rules.
- Employees participating in an employer ICHRA plan don't qualify for Advanced Premium Tax Credit (APTC), but applications can be submitted through the Marketplace (Pennie) as long as it is completed as a non-financial application.
- ALE Employers who have ICHRA's for their employees must ensure the reimbursements to the employees meet the minimum affordability requirements.
  - ICHRA is considered affordable if the remaining amount an employee must pay for an employee only coverage silver plan on the exchange does not exceed 9.02% (for 2025 plan year) of an employee's income.
- ICHRA's can be used to reimburse Medicare premiums for employees.
  - All parts of Medicare including Medigap are reimbursable through ICHRA.
  - An employee who is eligible for Medicare must have both part A and Part B coverage or Part C.
- Using an ICHRA partner to administer the Employers ICHRA plan is highly recommended to ensure all compliance rules are met.