

ICHRA Strategy – Specific ICHRA Class

ICHRA CASE STUDY

WHAT IS AN ICHRA?

Individual Coverage Health Reimbursement Arrangement (ICHRA)

ICHRA is the next generation of employer-sponsored health care. Employers of any size can reimburse employees for major medical and Medicare premiums on a tax-advantaged basis.

Employer Benefits

- Budget-friendly, predictable costs, less volatile than traditional group insurance
- Simplified Benefits Administration – No more difficult, complex decisions at renewal
- Flexibility among employee classes

Member Benefits

- Ability to select a plan that fits their specific needs from the wide array of individual marketplace plans
- Plans that better fit their monthly budget
- Continue to benefit from tax advantages they have with a traditional group plan

PROBLEM

In 2020, a fully insured manufacturing company with 250 employees was having serious, ongoing large claimant issues in its group health plan.

The large claims led to a 52% renewal increase, raising their annual premium by 50% to \$3 million.

They had to reduce the risk on the plan or face dropping coverage all together.

SOLUTION

After digging into the issue, it was discovered one of the company's locations was responsible for the bulk of the group's large claims.

The recommendation was to implement an ICHRA for the 37 employees at the specific location.

The 37 impacted employees were offered individual plans and 100% reimbursement for premiums they purchased.

RESULTS

2020

With the adverse risk off the plan, the renewal increase dropped from 52% to only 2%, saving the company and its employees over \$1 million in 2020.

2021

The company replaced their group health plan with an ICHRA in three of their other Midwest locations.

2022-2023

Having grown to over 400 employees, the company implemented an ICHRA for all employees in all locations. This strategy has stabilized costs for the company and its employees.

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