INSURED AMERICAN & FAMILY

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ICHRA & QSEHRA Explained

The new way employers can fund individual health coverage

Tax-free reimbursement, no group plan, you choose the coverage.

WHAT IT IS

An ICHRA (Individual Coverage HRA) and QSEHRA (Qualified Small Employer HRA) are tax-free reimbursement arrangements. Instead of buying a traditional group health plan, the employer gives each employee a monthly allowance. Employees go buy their own individual coverage (usually ACA Marketplace), and the employer reimburses them tax-free. No group renewal, no participation requirements, no one-size-fits-all plan.

WHO IT'S FOR

ICHRA: any size employer
1 to 10,000+ employees, any state

QSEHRA: under 50 employees
Must NOT offer group health

Variable workforces
Multi-state, part-time, contractor-heavy

Cost-control employers
Set the budget; risk doesn't drift

Employees who want choice
Pick their own plan, network, doctors

HOW IT WORKS

Employer sets allowance
Monthly $ amount per employee class

Employee shops Marketplace
Picks their own ACA-compliant plan

Employee pays premium
Plan is in their name, not the employer's

Employer reimburses tax-free
Pre-tax for employer, tax-free for employee

ICHRA & APTC mutually exclusive
Employee must waive ACA subsidy to use ICHRA

THE 3 THINGS PEOPLE GET WRONG

1. **"ICHRA is only for small companies."**
False. ICHRA has NO size limit. The 50-employee cap applies to QSEHRA only. ICHRA is being adopted by employers from 5 to 5,000+ employees, especially those with multi-state or remote workforces where one group plan can't fit everyone.

2. **"Employees lose their subsidy when offered an ICHRA."**
Sometimes, not always. The IRS applies an "affordability test": compare the employee's required premium contribution (after the ICHRA allowance is applied to the lowest-cost silver plan in their area) to a set percentage of their household income, the IRS updates that percentage annually. If their contribution falls UNDER that percentage, ICHRA is "affordable" and the subsidy is forfeit. If it falls OVER, the employee can decline ICHRA and keep ACA subsidies. The math matters, and Craig will run it for you.

3. **"This is just a workaround. The employer is still on the hook for benefits."**
No. With ICHRA the employer's exposure is the monthly allowance, period. No renewal increases tied to claims, no plan administration headaches, no participation minimums. It's a clean defined-contribution model.

WHO USUALLY WINS WITH ICHRA?

Small-to-mid employers in high-cost group markets, multi-state or remote workforces, companies with wide age/family-size variance in their staff, and businesses that want predictable benefits cost. ICHRA pairs especially well with ACA Marketplace plans in states with strong individual market competition.

Curious if ICHRA fits your business? Call or text Craig, I'll model the numbers against your current group plan.

Don't go underinsured when you can be Insured AF.