

When it comes to Individual Coverage Health Reimbursement Arrangement (ICHRA) group health plans, there are several important considerations regarding the choice between On-Exchange and Off-Exchange ACA-compliant plans. Let's explore them further:

### Employee Enrollment

In general, employees opting for an ICHRA should consider enrolling in an ACA-compliant plan directly with a carrier instead of using the State or Federal Exchange. This would allow them to take advantage of tax-free deductions from their paycheck to cover their portion of the ICHRA plan costs. Installing a Section 125 plan for pre-tax payroll deductions is required.

### Full Coverage

However, employers that contribute 100% of the premium cost for their employees' premiums have the flexibility to purchase the plan on or off the Exchange without any payroll consequences.

### Affordability Assessment

If the cost of participating in the ICHRA is deemed unaffordable for an employee, they can explore the State or Federal Exchange to determine if enrolling in an Exchange plan with an Advanced Premium Tax Credit (APTC) would be more financially advantageous.

### ICHRA Affordability for Groups over 50

Employers with over 50 employees (ALE's) will want to determine Employee Only affordability to determine if they are subject to Employer "Play or Pay" penalties. Employee/Employer affordability is calculated using the cost of the lowest silver plan available on the Exchange (excluding tax credits) for "Employee Only" coverage. Subtract the relevant company ICHRA contribution from this amount and compare it to 9.12% (in 2023) of the employee's monthly W-2 wages. If the employee's net cost of the lowest silver plan is less than 9.12% of their monthly income, it is considered affordable, and the employer should avoid incurring a Part B Employer "Play or Pay" penalty. Employers may employ other "Safe Harbor" methods to determine affordability, but seeking guidance from

an expert in this complex area is advisable to avoid penalties.

### Employee Affordability

Employees assess affordability to determine if they would benefit from enrolling in a plan through the Exchange, potentially qualifying for a better deal with a tax credit. To calculate employee affordability, determine the cost of the lowest-cost silver plan on the Exchange (excluding any tax credits) for "Employee Only" coverage and, if applicable, for their family. Then, compare the net cost of the lowest silver plan for both "Employee Only" and "Family" coverage (after subtracting the company's contributions) to 9.12% of the family's expected monthly income.

If the net cost of the lowest silver plan on the Exchange, minus the company contribution, exceeds 9.12% of the employee's monthly income (for 2023), the plan is considered unaffordable. If unaffordable, the employee can explore the Exchange and potentially qualify for a better deal with an APTC plan. If the employee has a spouse and/or children, they can run a similar comparison including the dependents, and if unaffordable for the family, the dependents can explore Exchange options. This is called the Family Glitch.

Optimizing contributions for companies with over 50 employees, known as Applicable Large Employers (ALEs), can result in substantial savings for both the employer and the employees. ICHRA offers unique opportunities for large employers to save significant money while providing valuable assistance to their employees. Older, lower income members may be better off on an Exchange plan with a tax credit that will save both the member and the employer money. This benefit is easily accomplished with ICHRAs.

