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Health Reimbursement Arrangements: At-A-Glance

Traditional Group Health Insurance vs. ICHRA: What's the Difference?

Traditional Group Health Insurance and Individual Coverage Health Reimbursement Arrangement (ICHRA) are two different approaches to providing healthcare benefits to employees. While both options aim to cover medical expenses, they differ in several aspects. Let's take a closer look at the key differences between the two.

Structure

Traditional Group Health Insurance: Under a traditional group health insurance plan, employers purchase a policy from an insurance carrier to cover their employees. The coverage is generally standardized, offering a set of benefits and options for the entire group.

ICHRA: As a defined contribution approach, an ICHRA allows the employer to allocate to each employee a specific amount of money to spend on ACA-compliant individual health insurance plans. Employees then purchase their own plans, and the employer reimburses them up to the allocated amount.

Customization

Traditional Group Health Insurance: Group plans typically offer a predetermined set of benefits, and the employer chooses the plan that best suits the needs of the entire group. Employees have limited flexibility in customizing their coverage as it is based on the collective needs of the group.

ICHRA: Employees have more control and flexibility over their health insurance choices. They may select an ACA-compliant plan that aligns with their specific health care needs and preferences, provided it meets certain requirements set by the employer.

Cost Control

Traditional Group Health Insurance: Premiums for group health insurance plans are typically shared between the employer and employees. The cost is usually fixed and may increase annually, regardless of individual employee claims or usage. The employer bears the risk of rising costs.

ICHRA: The employer sets a defined budget for each employee. This allowance gives employers more control over their health care budget since they determine the amount they contribute towards the employee's health insurance. If employees choose a plan that exceeds the allocated amount, they will have to pay the difference.

Portability

Traditional Group Health Insurance: Group health insurance plans are tied to employment. When an employee leaves the company, coverage may cease or continue under the COBRA provisions, which typically involve higher premium costs for the employee.

ICHRA: The plan is owned by the employee and not tied to their employment status, thereby offering greater portability as employees may take their individual health insurance plan with them when they change jobs or leave the company.

Compliance and Administration

Traditional Group Health Insurance: Group health insurance plans come with certain compliance requirements and administrative tasks for the employer, such as managing enrollment, claims, and renewals. Employers must ensure compliance with regulations like the Affordable Care Act (ACA).

ICHRA: While ICHRA requires some administrative effort, it typically simplifies compliance obligations for the employer. The employer is not responsible for choosing or managing a group plan, and employees choose quality, ACA-compliant health insurance.

Conclusion

Traditional group health insurance and ICHRA differ significantly in their structure, customization options, cost control, portability, and administrative responsibilities.

Traditional group health insurance provides standardized coverage for a group of employees, whereas ICHRA offers individualized coverage with more flexibility and cost control.

Understanding the unique needs of your organization and employees can help determine which option is most suitable for your situation.