

WELCOME OFFERING

Interest in ICHRA's Building

By Rebecca Patrick

A byproduct of the pandemic saw health insurance premiums largely stable with claims down as elective surgeries and even more serious diagnoses sat on the back burner for many. Now, as attention to both has returned, a steep cost correction continues for health insurance.

That's especially true for employer group plans with 50 or more total employees, which is the threshold at which a health care plan is underwritten by insurance carriers looking at the healthiness of all the employees to determine that company's rate increase and premium for the next year.

"(Organizations are) trying to figure out alternative solutions because it's so much money. Let's say you're a 100-life group. As an employer, you could be spending \$1 million on health care premiums," imparts Joe Gilbert, who has worked in the health insurance industry for more than three decades.

As a result, a newer option is gaining traction in the market for its relative affordability and flexibility.

The Individual Coverage Health Reimbursement Arrangement (ICHRA) has been around under new federal rules for four years. In basic terms, an employer designates a tax-free monthly account for each employee based on their age for them to obtain their own health insurance coverage. That insurance is commonly purchased through the state's health insurance exchange or HealthCare.gov.

How it all adds up

ICHRA cost savings to employers and workers can be tremendous, touts Gilbert, who notably spent over 13 years as the regional vice president of sales at Anthem Blue Cross and Blue Shield of Indiana before starting his own firm, Gilbert Consulting LLC, in July 2023.

"In general, we've seen comparable coverage obtained through an ICHRA come in anywhere from 30% to 50% less than traditional group insurance," he shares. "There are a lot of factors that go into that. The 50%

mark could be for employer groups that are very unhealthy, have high risk and received a big rate increase."

Those are the companies, Gilbert notes, that are most interested in an ICHRA "because it's more of a crisis situation. ... They (feel as if they) have to gain control of their health insurance costs fast or else it's going to kill their business."

ICHRA's can be appealing in other ways. They bring stability since health care expenditures move from what varied, sometimes considerably, each year under traditional plans to a more predictable cost. There also is no employee participation requirement with an ICHRA. Not to mention, it removes employers from having to design or tweak a plan annually.



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Employees win on two fronts. If the employer is saving money, then the employees should as well. They also benefit because they can make their health insurance decision based on their own needs and select from an array of options.

The latter, Gilbert admits, can be overwhelming for an organization and its employees without guidance.

"That's why you're finding companies, like Remodel Health, (being hired by the employers to) jump in to help employees make the best decisions based on their situation. That's the need that's really been

fulfilled with an ICHRA."

Gilbert reveals that employers with 50 to 500 total employees are where ICHRA firms are having the most interest. "But we have seen (ICHRA's established) for groups as few as five members," he adds.

Sweetening the deal

Indiana set itself apart with ICHRA's last year when the state Legislature adopted an employer tax credit for them — the first and still only state, according to Gilbert, to do that.

Effective January 1, the new state law says organizations with fewer than 50 employees can claim a state ICHRA tax credit for the next two years. Specifically, for the first year, those Hoosier employers can claim up to \$400 per covered employee if the ICHRA offers equal or greater value than the organization's prior health plan in the previous plan year. In year two, that credit decreases to \$200.

The forecast

Gilbert shares a comparison that may foretell the future of ICHRA's.

He describes traditional insurance as akin to the defined benefit plan for retirement where the employer makes the decisions and manages the product that is offered to the employees.

"An ICHRA then is essentially like a defined contribution or 401(k) — the employer gives you the money (while you oversee the performance). ... That approach with an ICHRA helps employees still obtain really, really good coverage."

While it's a little early to predict that ICHRA's will be as popular as the 401(k), Gilbert believes they "are going to continue an upward trajectory. The slope of the trajectory is going to depend primarily on the difference between (employer) group rates and individual rates.

"If the individual market stays steady — they've been super consistent on rate increases — and the group market continues to rise with (medical) inflation, which we project at 12% a year, 1% a month, the individual rates are going to win out.

"(More employers) will say, 'I have to do this,' because the gap between the two costs will force their hand."

RESOURCE: Joe Gilbert, Gilbert Consulting LLC, at joe@gilbertconsultingllc.com