

ICHRA Adoption Grows Nearly 30% in 2024

A new [report](#) by Remodel Health revealed that U.S. employers' adoption of individual coverage health reimbursement arrangements (ICHRA) increased 29% from 2023-24.

The 2024 report found a consistent spread of adoption across industries and both small employers and applicable large employers (ALEs). Since ALEs are governed by the large employer mandate, they must provide health benefits to employees, whereas smaller companies don't have to follow such requirements. The report also discovered that ICHRAs were adopted by organizations in nearly every state. ICHRA adoption among organizations with 100 employees or more was highest in Arkansas, Maryland, New Hampshire, Oregon and Wisconsin. Furthermore, 12 states had ICHRA adoption among small organizations with two to 20 employees. Those states were Alabama, Alaska, Idaho, Iowa, Kansas, Louisiana, Maine, Missouri, New Mexico, Rhode Island, West Virginia and Wisconsin.

“Increasingly, employers are turning to ICHRA for its flexibility and affordability in the face of rising group health insurance costs. This report highlights how businesses across industries and geographies are leveraging ICHRA to deliver better health benefits for their teams.”

- *Austin Lehman, CEO of Remodel Health*

ICHRA allows organizations to offer employees a monthly allowance of tax-free money so they can buy health care services that fit their unique needs. These arrangements can help control costs while complying with Affordable Care Act requirements. Therefore, ICHRA usage is increasing as more plan sponsors consider ways to control costs around health benefits and offer individualized health benefits for their workers.

Employer Takeaways

As a flexible alternative to traditional group health insurance, more employers are implementing ICHRAs to meet the unique needs of today's diverse workforce.

An employer may allow an ICHRA to reimburse all medical care expenses, limit an ICHRA to allow reimbursements only for premiums, limit an ICHRA to allow reimbursements only for nonpremium medical care expenses (e.g., cost-sharing) or designate specific medical care expenses that are reimbursable. Although not required, employers most often use ICHRAs to reimburse premiums for individual health insurance coverage or Medicare (including Medicare Parts A, B, C and D, as well as premiums for Medigap policies). ICHRAs also allow businesses to determine eligibility based on employee classes (e.g., full-time, part-time and seasonal workers), which can benefit employers with several employee classifications.

However, ICHRAs face restrictions; for example, employers cannot offer any employee a choice between an ICHRA and a traditional group health plan.

Employers should continue to monitor trends to make the right employee benefits decisions for their respective organizations and employees. Contact us today for more information.