

Report Finds Employer Adoption of ICHRAs Increased Significantly

A new [report](#) by the HRA Council found that U.S. employers' adoption of individual coverage health reimbursement arrangements (ICHRAs) increased by 64% from 2022 to 2023. Many employers noted that ICHRAs offer more autonomy for employees and budget control for themselves than traditional group plans, according to a 2023 [report](#) by benefits administration software company PeopleKeep.

ICHRAs allow organizations to offer employees a monthly allowance of tax-free money so they can buy health care services that fit their unique needs. This can help control costs and address Affordable Care Act compliance. As a result, ICHRA usage is increasing as more plan sponsors consider ways to control costs around health benefits.

“With the acceleration in the number of companies offering an ICHRA and employees opting into participation, the benefit has asserted itself as a strong alternative to traditional group health insurance plans.”

- *PeopleKeep report*

Consider the following key figures about benefits design from the 2023 PeopleKeep report:

- **Allowances**—The average monthly allowance employers offered their

employees between July 1, 2022, and June 30, 2023, was \$908.80, while the median monthly allowance was \$550.

- **Waiting periods**—Most employers who offer an ICHRA don't use waiting periods for new employees to join the benefits, as only about 31% of employers implemented a voluntary waiting period.
- **Out-of-pocket costs**—Insurance premiums, office visits and prescription drugs were the most popular submitted expenses for reimbursement. Employees who submitted expenses averaged 4.9 office visits (an average reimbursement amount of \$137.92) and an average of 11.6 prescription drug reimbursement requests (\$275.42).

Employer Takeaway

Traditional group health insurance may not be flexible enough to meet the unique needs of today's diverse workforce. With ICHRAs, employers of all sizes can offer a defined monthly allowance for employees to spend on individual health insurance plans and out-of-pocket medical expenses, including prescription drugs, doctor visits and more. Employers can also vary the benefits by offering different allowance amounts based on job-based criteria (e.g., full-time, part-time and seasonal workers).

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.