



HRAs for Virginia Employers

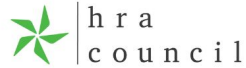
An introduction to a new model of health insurance

February 2023



TAX-FREE HEALTH BENEFITS
FOR VIRGINIA SMALL BUSINESSES
FREE WEBINAR

Presented by



in conjunction with Virginia's



and partially
funded by U.S. HHS/CMS

**Learn how Health
Reimbursement
Arrangements (HRAs) can
work for your business.**

Individual Coverage HRAs and Qualified Small Employer HRAs are new benefits solutions based on reimbursing employees for health insurance rather than buying it for them. Not subject to payroll, employer, or federal income tax, these Health Reimbursement Arrangements (HRAs) address the ongoing issue of expensive group health insurance for Virginia's small businesses without sacrificing the quality of coverage.

Welcome & Thank You

Thank you for joining this educational webinar about tax-free health benefits for Virginia small businesses.

This webinar is being recorded and will be available via the Virginia State Corporation Commission website.

Please enter your questions into the “Q&A” function, and panelists will respond to as many as possible LIVE during the discussion portion of the webinar.

The information presented is educational and should not be considered as legal or financial advice or recommendations. Please contact an appropriate benefits advisor to learn more about how Health Reimbursement Arrangements might work for your organization.

Disclaimer: This educational webinar is supported by the Centers for Medicare and Medicaid Services (CMS) of the U.S. Department of Health and Human Services (HHS) as part of a financial assistance award totaling \$694,156.63 with 100 percent funded by CMS/HHS. The contents are those of the author(s) and do not necessarily represent the official views of, nor an endorsement, by CMS/HHS, the U.S. Government or the Virginia State Corporation Commission.



Today's Presenters



Marly Santoro
Virginia State Corporation
Commission

**Britt Afdem, J.D.,
MBA, ACFC**
Area Vice President
and Counsel, HRA and
Trust Consulting,
Gallagher



Nick Welle
Partner and Chair,
Health Benefits
Practice,
Foley & Lardner



Kyle Estep
Vice President, Growth,
Take Command Health



**Robin Paoli &
R. Aaron Flores**
Executive Team, HRA
Council



Today's non-SCC presenters are dues-paying Members of the HRA Council.



Takeaways to Expect from This Webinar

During this webinar, we will learn about the...

- ✓ HRA opportunity for Virginia employers and employees
- ✓ Difference between QSEHRAs and ICHRAs
and why this matters to my business
- ✓ Win-Win for employers and employees
- ✓ Overview of the process
- ✓ How brokers and benefits advisors can help
- ✓ Resources available for Virginia employers



Important Participant Feedback

As a nonprofit trade association, education is a core value

- ✓ Three (3) polls and one (1) brief post-event survey to help us better understand your needs and interests
- ✓ Your responses are anonymous
- ✓ Your responses help guide the conversation and help us understand which resources to provide via a follow-up email
- ✓ We will list contact information for the Virginia SCC, the HRA Council, and our HRA Council presenters, at the end of this webinar



About the HRA Council

A non-partisan advocacy organization of health insurance leaders, brokers, administrators, insurers, support organizations, and employers offering defined contribution health coverage dedicated to ensuring employers have these HR/Benefits tools and employees are empowered with choices.

Our Goal | To improve and expand health coverage options for millions of workers by giving employers better ways to offer workers health coverage.

Our Work | The HRA Council supports the vibrant defined contribution market for employer-supported health coverage, providing education, promotion, and advocacy including appropriate safeguards and consumer protections.

We work with stakeholders and policymakers to:

- ✓ Identify barriers,
- ✓ Reduce process friction and administrative burdens,
- ✓ Promote best practices,
- ✓ Strengthen the health insurance landscape, and
- ✓ Increase consumer access, affordability, and choice.



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Our Founding Members

A diverse group of leaders in the health coverage space, including carriers, technology providers, third-party administrators, brokers, employers, and others.



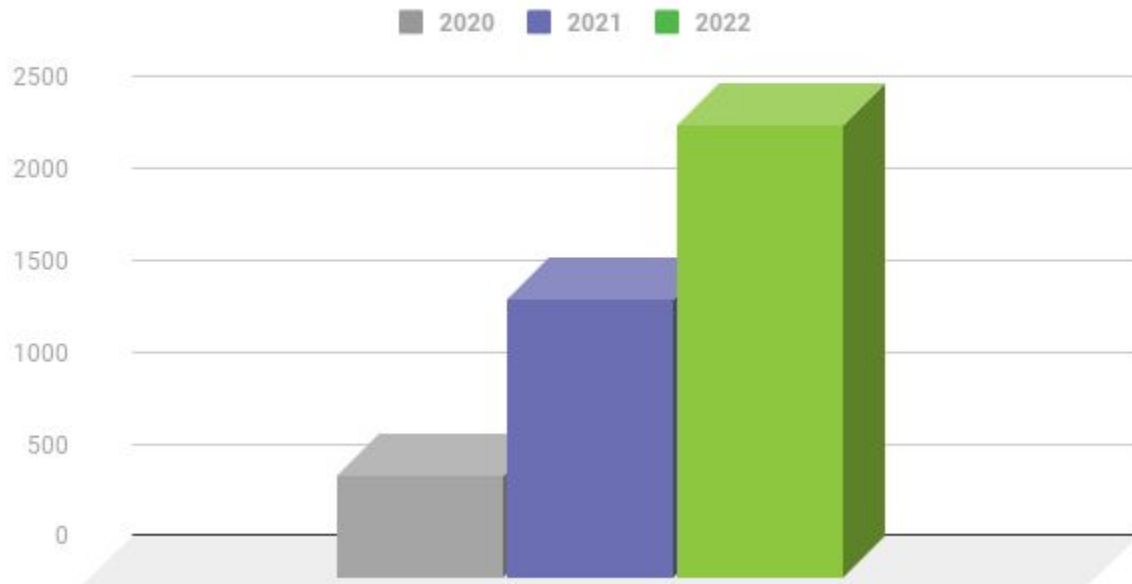


HRA Adoption Is Growing Rapidly

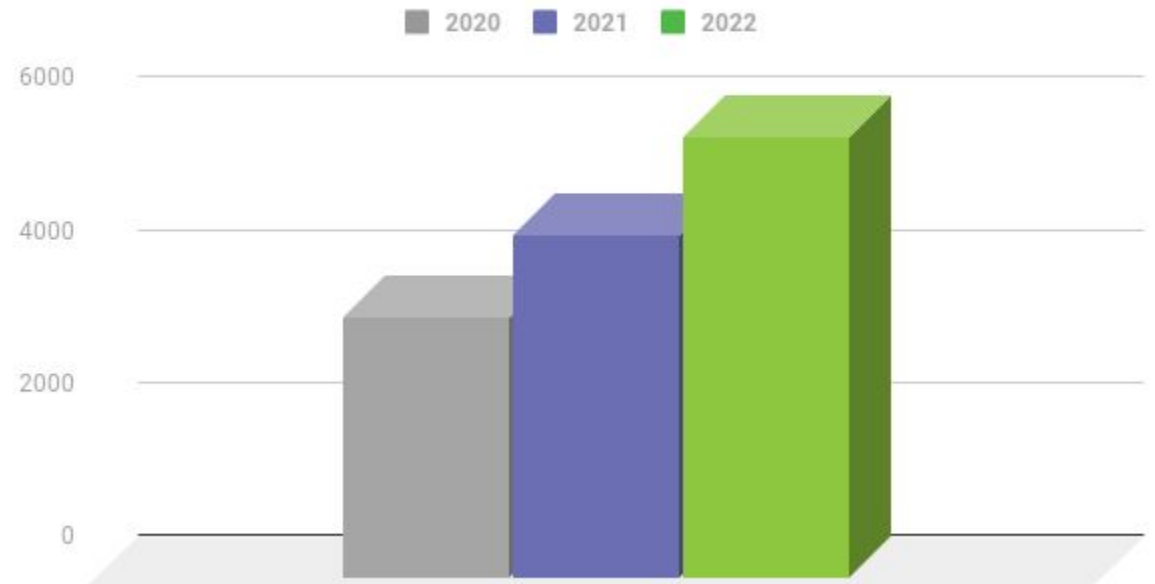
ICHRA Adoption by U.S. Employers has **more than tripled** from 2020 to 2022

QSEHRA Continues to Be a Popular Option for Businesses < 50 EEs

Number of Employers Offering ICHRA



Number of Employers Offering QSEHRA



Source: [“Growth Trends for ICHRA & QSEHRA 2020-2022”](#), HRA Council



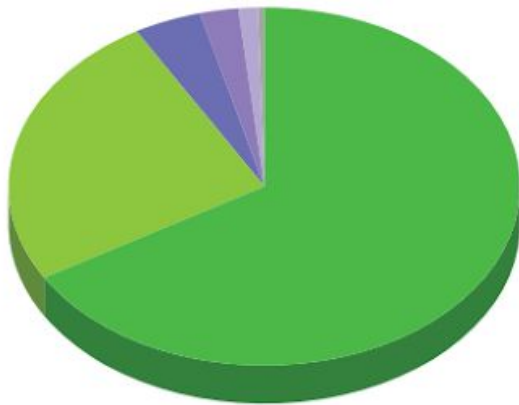
HRA Adoption Is Growing Rapidly

More than 90% of employers in survey had 20 or fewer employees.

ICHRA is Also Growing Among Applicable Large Employers.

Size of Employers Offering HRAs (2020-2022)

● 5 or Fewer Employees ● 6-20 ● 21-49 ● 50-99 ● 100-199 ● 200+



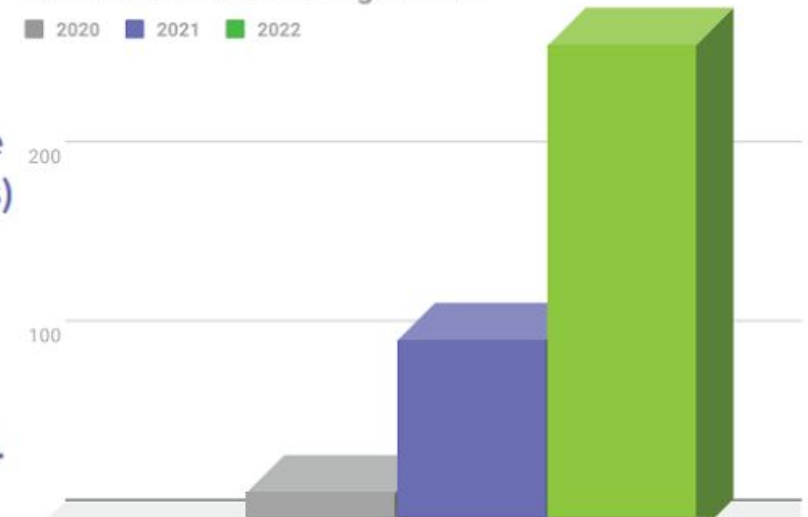
Five employees or fewer: 64%
Six to 20 employees: 28%
21 to 49 employees: 5%
50 to 99 employees: 2%
100 to 199 employees: 1%
200+ employees: Less than 1%

Figures are rounded to the nearest whole %.

ALEs Offering ICHRA (2020-2022)

Number of ALEs Offering ICHRA

■ 2020 ■ 2021 ■ 2022



The number of Applicable Large Employers (ALEs) also adopting ICHRAs grew more than 10x since ICHRAs were introduced.

Source: [“Growth Trends for ICHRA & QSEHRA 2020-2022”](#), HRA Council



HRA Adoption Is Growing Rapidly

Nearly **Six in 10** Employees Offered an HRA Accepted in 2022



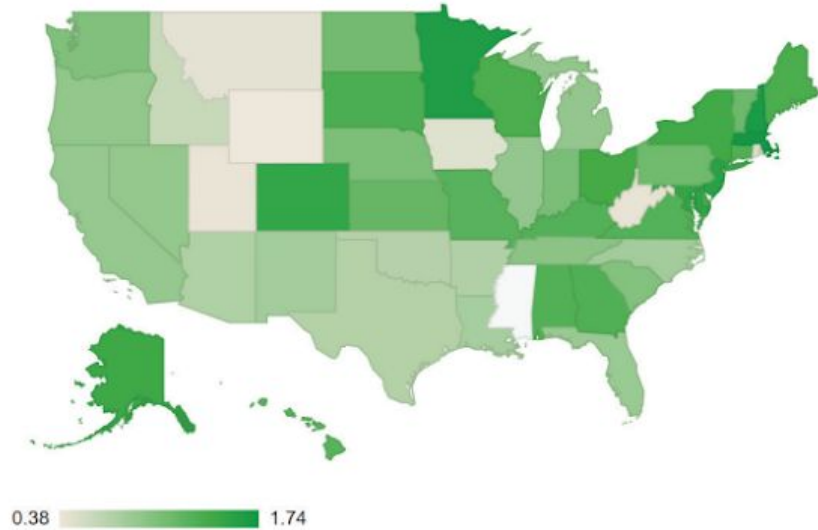
Nearly six in 10 employees accept ICHRA or QSEHRA when offered one by their employer, approaching national figures for employees accepting traditional ESI. **Why doesn't every employee accept the offer of an HRA or other ESI?** Some employees are covered as a dependent under a spouse, partner, or parent's insurance, and other employees decide they don't need, can't afford, or aren't yet ready to select health insurance.

Source: ["Growth Trends for ICHRA & QSEHRA 2020-2022"](#), HRA Council



HRA Adoption Is Growing Rapidly

Between 2020 and 2022, ICHRA/QSEHRA Adoption **Grew Nationally**



Workers in all 50 states and the District of Columbia now have new options to choose their own employer-supported health insurance plans from regional and national carriers.

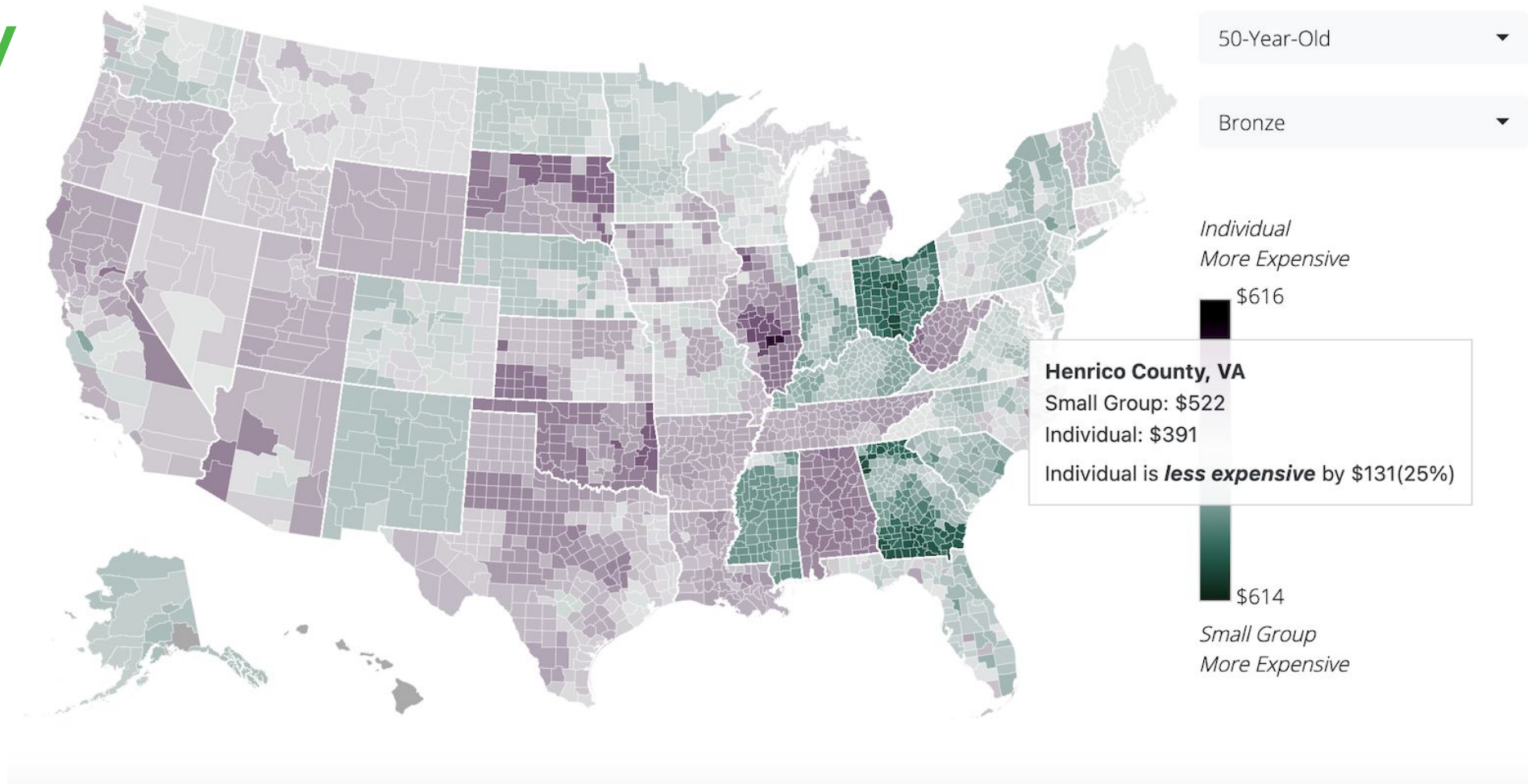
Based on our survey: **On average, ICHRA/QSEHRA adoption doubled across all 50 states between 2020 and 2022.** Many states saw more than 1.5x growth, and 28 states more than doubled the number of employers offering ICHRA or QSEHRA as a health benefits solution for their employees.

Source: [“Growth Trends for ICHRA & QSEHRA 2020-2022”](#), HRA Council



Virginia's Opportunity

Difference Between the Lowest Cost Bronze Plans on the Individual and Small Group ACA Markets by County, 2023:



Map data provided by HRA Council founding member **Ideon**.

<http://analytics.ideonapi.com/veristat/hra/lowest-premiums-map/2023/>



QSEHRA/ICHRA Timeline: Where It Began

2016

Dec: 21st Century Cures Act Passes
creates “Qualified Small Employer Health Reimbursement Arrangement” (QSEHRA)

2017

Jan: QSEHRAs available
Oct: Executive Order 13813 *expands use of Health Reimbursement Arrangements (HRAs)*

2019

Jun: New Individual Coverage HRA (ICHRA) Rules Finalized

2020

Jan: ICHRAs available



Arrangements: ICHRA vs. QSEHRA

Can also reimburse spouse's group plan and COBRA premiums

	QSEHRA Qualified Small Employer HRA	ICHRA Individual Coverage HRA
How it works	Both HRAs allow employers to reimburse employees tax-free for individual insurance	
Available	2017	2020
Size Limits	1-49 employees	No Limit
Reimbursement Limit (2023)	\$487/mo self-only \$983/mo family	No Limit
Design Flexibility	"All the same"	Unlimited Classes
Works with Group Ancillary?	No	Yes



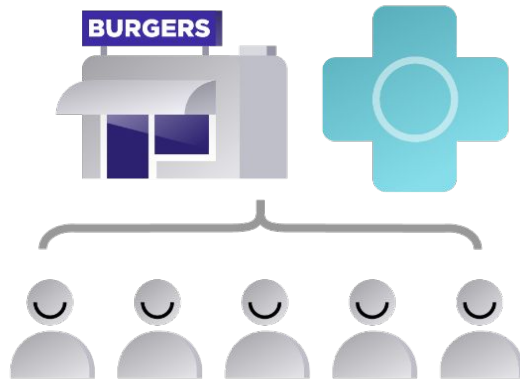


What is it?

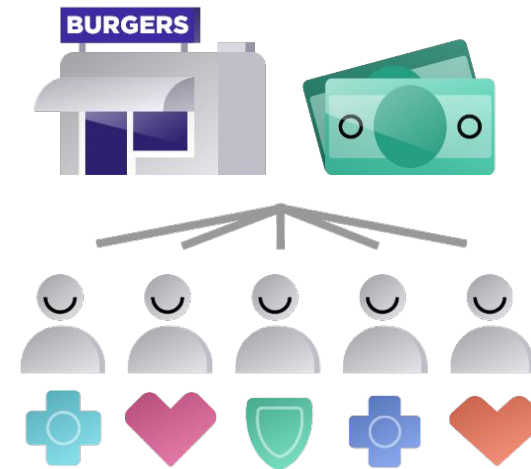
A new way to offer health insurance.

New “**Health Reimbursement Arrangement (HRA)**” options enable employers to reimburse employees tax-free for health insurance premiums and medical expenses.

Group Plan Model



HRA Model



Employers set an allowance and employees choose the plan that fits their needs



Advantages of an HRA-Driven Model

For Employers

- **Cost Control:** Set your budget & cap spend
- **Remove Risk:** No more carrier renewals
- **Participation:** No minimum requirements
- **Compliant:** Satisfies employer mandate
- **Savings:** Keep unclaimed reimbursements

For Employees

- **Choice:** Pick the health plan to meet needs
- **Comprehensive Coverage:** Like group plans
- **Portability:** Keep their health insurance
- **Control:** Secure the right level of coverage



Most People Are Unfamiliar with the Model, Yet Face the Common Issues HRAs Solve.

Employers

“Another big renewal?!... How can we get off this treadmill?”

“We are really sick of the **uncertainty...**”

“We’re growing so fast and need a **benefit solution that scales** with us”

“Can we just give some earmarked \$\$ to the employees?”

A common CFO refrain

Employees

“I **don’t participate** because I don’t like either of the two options I’m given”

“I **just want healthcare that I can afford** and not additional programs and perks!”

“Every time we switch carriers, I’m **forced to switch doctors** and providers!”

“As a **remote employee**, this hospital network doesn’t work for me...”



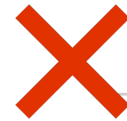


Which Employers Benefit Most?



Clients that will love QSEHRA / ICHRA

- First time to offer health benefits
- Want more flexibility and simplicity
- Need to control budget
- Don't want to manage the risk of a group plan anymore
- Any client increasing employee salaries of offering a health stipend to help employees with benefits



Clients that won't like QSEHRA / ICHRA

- Clients whose employees qualify for large tax credits
- Employer offers a group PPO plan that all employees love at the right price
- Individual plan options do not stack up to group health plans in the area (*vary by geographic location*)

These clients get an immediate win with tax-savings from HRA



Individual Market Comprehensive Coverage & Choice

All ACA-compliant plans include:

- ✓ Free preventive care
- ✓ Coverage for Essential Health Benefits
- ✓ Coverage for pre-existing conditions
- ✓ No medical underwriting (premiums vary by age)

Some plans include extra perks:

- ✓ Free and unlimited telemedicine
- ✓ Free generic drugs
- ✓ Wellness benefits
- ✓ Dental & vision

For employees 65+ years old...all Medicare options will be reimbursed!

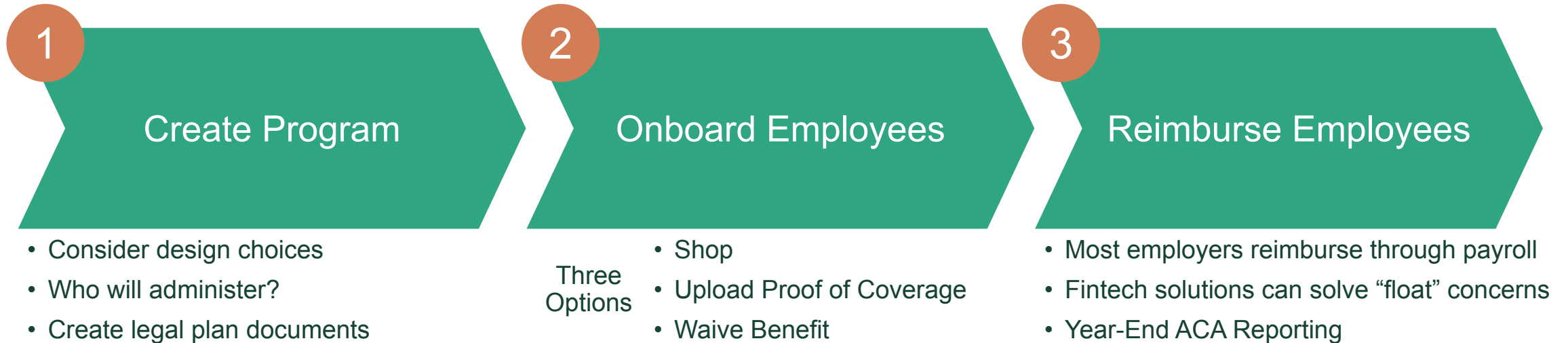


Health insurance companies and plan options vary by geography



How It Works

The Basics



Moving from a group plan to an ICHRA involves change management



Discussion

Moderated Participant Q&A

Reminders:

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Thank You

We look forward to following up soon.

For more information about the Virginia State Corporation Commission, please visit: scc.virginia.gov

For more information about the HRA Council and Health Reimbursement Arrangements, please visit www.HRACouncil.org/VA



Additional Resources

HRA Council: www.HRACouncil.org/VA

Panelists

- **Britt Afdem**, VP and Counsel, HRA and Trust Consulting, Gallagher: Britt_Afdem@ajg.com
- **Kyle Estep**, Vice President, Growth, Take Command Health: kyle@takecommandhealth.com
- **Nick Welle**, Partner and Chair, Health Benefits Practice, Foley & Lardner: nwelle@foley.com
- **Robin Paoli + Aaron Flores**, The HRA Council: info@HRACouncil.org

For general Virginia employer-related health insurance questions, participants are welcome to email BureauofInsurance@scc.virginia.gov

Reminder: QSEHRAs and ICHRAs are federally approved health reimbursement arrangements available in all 50 states and DC, and overseen by the “tri-departments” of Labor, Treasury, and Health & Human Services (HHS/CMS).