Benafica

ICHRA

Individual Coverage Health Reimbursement Arrangements

ICHRA
Employer Guide

A practical roadmap to flexible, compliant health benefits

UPDATED FOR 2026

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What is an ICHRA?

(And How It Compares to Group Health)

ICHRA stands for **Individual Health Reimbursement Arrangement.** It's an employer-funded health benefit that reimburses employees for individual health insurance premiums and other eligible medical expenses. Instead of offering one group plan, employers set a monthly allowance, and employees choose the individual plan that works best for them and get reimbursed.

	Group Health	ICHRA
Plan Options	1-2	Employee's choice
Renewal Risk	Employer absorbs claims-driven increases	Defined contribution
Flexibility	Limited customization	11 employee classes allow flexibility
Eligibility & Partcipation	Must follow participation limits	No min. participation requirements; can vary eligiblity across classes
Geographic Considerations	Multi-state employers may need multiple plans/networks	Works nationwide
Administrative Burden	Employers manage renewals & plan changes	Simplified administration in our platform

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How ICHRA Works

Employer Sets the Budget

You decide how much tax-free money to offer each month to each employee (allowances can vary by class, age, and family size within compliance rules).

Employees Choose Coverage

Employees shop for ACA-compliant individual health plans on our BEN360 platform. They can pick the carrier, network, and plan tier (Bronze, Silver, Gold) that best fit their needs and budget.

BEN360 Takes Care of the Rest

Once your employees are enrolled and coverage is confirmed, BEN360 handles the rest—automatically submitting monthly premium payments to carriers.

Contribution Strategies

When designing your ICHRA, one of the most important decisions is how you'll determine your employer contribution.

Flat-Dollar

Every employee receives the same fixed monthly allowance.

For example: **$500/month** for full-time employees, **$250/month** for part-time employees.

Age-Based (Percentage Match)

Contributions are tied to a benchmark plan.

For example: Give each employee the dollar amount of **75% of a Gold premium**.

At Benafica, we typically recommend an age-based ICHRA contribution strategy because it aligns contributions with age-banded costs, ensuring a more equitable and consistent benefit across your workforce.

About Benchmark Plans

A benchmark plan is a specific health insurance plan used as a reference point when evaluating ICHRA affordability. In most cases, this benchmark is the **lowest-cost Silver plan** available to an employee in their geographic rating area on the individual market. Plans are typically categorized into metal tiers—Bronze, Silver, Gold, and Platinum—based on the share of healthcare costs covered:

	Plan Pays	Member Pays	Deductible Range	Best for
Bronze	~60%	~40%	$6,000 – $9,000	Lowest monthly premiums, highest out-of-pocket costs; best for healthy individuals who use few services.
Silver	~70%	~30%	$3,000 – $6,000	Balanced premiums and cost-sharing. CSR variants can increase coverage to 73–94% for eligible individuals.
Gold	~80%	~20%	$1,000 – $3,000	Higher premiums, lower deductibles; ideal for those with regular care needs.
Platinum	~90%	~10%	$0 – $1,500	Those with significant medical needs who prefer higher premiums but minimal cost at point of care

Affordability Compliance

If you're an ALE, ensuring your ICHRA is affordable under ACA guidelines is a key part of compliant plan design. The IRS defines "affordable" coverage as one where the employee's **share of the premium for the lowest-cost Silver plan** in their area does not exceed 9.96% of their household income for the 2026 plan year.

9.96%

2026 Affordability Rate

Employee Classes

Employers can offer ICHRA to different classes of employees (or by combining 2 or more of the groups below). ICHRA must be offered on the same terms to all employees within the same class.

- All Employees
- Full-Time Employees
- Part-Time Employees
- Salaried Employees
- Non-Salaried Employees
- Seasonal Employees
- Employees Still in Waiting Period
- Foreign Employees with No US-Based Income
- Employees Covered by Collective Bargaining Agreement
- Employees in Same Rating Area
- Temporary Employees

EXAMPLE *Employers can offer different amounts to full-time vs. part-time employees, or employees in different states.*

Medicare and ICHRA

An ICHRA can also be used to reimburse employees who are enrolled in **Medicare Parts A and B or Part C (Medicare Advantage)**.

Employers can then reimburse premiums for these plans—along with supplemental coverage such as Medigap or Part D prescription drug plans, if allowed by the ICHRA's design.

With ICHRA, employers can structure contributions differently for Medicare-eligible employees to reflect how Medicare coverage is priced. Benafica can help ensure your plan design remains compliant.

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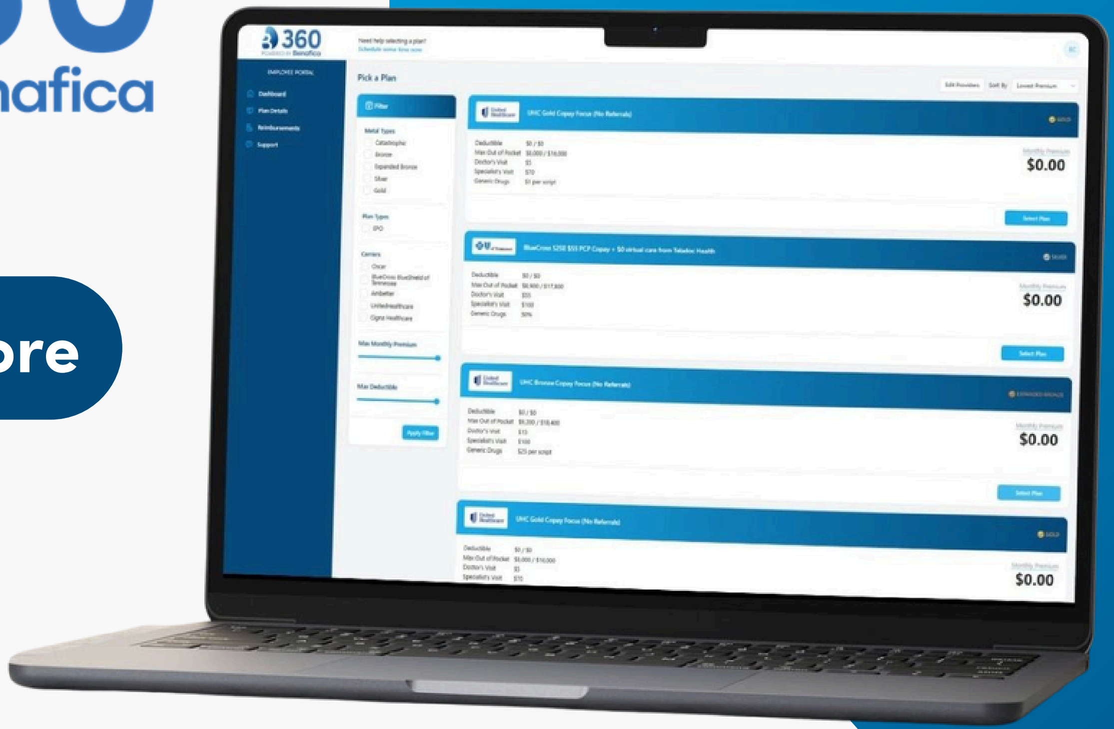
Learn More



BEN360: Our ICHRA Platform

BEN360 is our in-house ICHRA platform, built from the ground up based on real feedback from employers, HR teams, and brokers. Every feature is designed to make the entire experience simple and transparent—from onboarding to ongoing administration. The result is a platform that delivers the most seamless, comprehensive ICHRA solution available today.

- Payment Transparency
- Plan Visibility
- Enrollment Tracking
- On-Demand Reports
- Year-Round Support

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ICHRA Compliance

With Benafica, you get as much (or as little) support as you need so you can offer benefits with confidence.

What Benafica Supports:

- ☑ **ICHRA Plan Document** (Internal plan document)
- ☑ **ICHRA Summary Plan Document (SPD)** (Simplified version of the plan document that you distribute to employees)
- ☑ **Required ICHRA employee notice** (delivered before initial start date, and then every year at least 90 days before plan start date)
- ☑ **Employee class structure** and **eligibility rules** (and annual review)
- ☑ **Affordability compliance** (and annual adjustments)
- ☑ **Verifying minimum essential coverage (MEC)**
- ☑ **Opt-out tracking**
- ☑ **Qualifying life events**
- ☑ **Reimbursement substantiation** in compliance with HIPAA privacy and security rules
- ☑ **Box 12 information** for W-2 reporting
- ☑ **Record retention** in compliance with IRS and HIPAA requirements

What Employers are Responsible For:

- ☐ **Payroll withholding** and reconcilation
- ☐ **W-2 reporting** and submission
- ☐ **ACA information reporting:**
  - For Applicable Large Employers (ALEs): Forms **1094-C** and **1095-C**
  - For smaller employers: Forms **1094-B** and **1095-B** as required
- ☐ **Paying the annual PCORI fee** (Benafica helps calculate)
- ☐ **Form 5500** filing (if required for ERISA)
- ☐ **Medicare Part D Creditable Coverage** notices (not required after 2026)
- ☐ **Section 111 Medicare Secondary Payer (MSP)** reporting (if applicable)
- ☐ **Maintaining your own secure backup** of key records

Need Extra Support?

For employers who want deeper guidance, we can refer you to trusted experts for full-service ICHRA tax compliance.

Steps to Get Started

We guide you through every step of setting up and running your ICHRA, from strategy and setup to launch and ongoing support.

Provide ICHRA Expertise & Strategy Design

- Review your current group plan and renewal projections
- Develop contribution design strategy
- Benchmark plans and model affordability using IRS safe harbors
- Define employee classes and eligibility structure

Prepare to Launch Your ICHRA

- Choose your ICHRA start date and coordinate with renewal timelines
- Set employee expectations with clear communication and educational materials
- Ensure compliance with 90-day notice and ACA affordability requirements

Employee Onboarding & Enrollment

- Send employee invitations to BEN360
- Provide enrollment guides/videos and plan comparison tools
- Offer access to licensed counselors for one-on-one assistance
- Track onboarding progress through employer dashboard

Implementation & Administration

- Configure employer dashboard and reporting access in BEN360
- Manage contributions, reimbursements, and billing
- Establish document tracking for substantiation and compliance
- Add broker access and permissions if applicable

Ongoing Support & Renewals

- Receive year-round support from a dedicated Benafica account manager
- Manage employee changes (new hires, terminations, life events)
- Review annual updates and renew contribution strategy ahead of each plan year