Benafica

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ICHRA EMPLOYER GUIDE

Flexible, compliant health benefits, explained

A practical roadmap to Individual Coverage Health Reimbursement Arrangements (ICHRA), now also called the CHOICE Arrangement.

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What is an ICHRA?

And how it compares to group health

ICHRA stands for Individual Coverage 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 plans	✓ Employee's choice
Renewal risk	Employer absorbs claims-driven increases	✓ Defined contribution
Flexibility	Limited customization	✓ 11 employee classes allow flexibility
Eligibility & participation	Must follow participation limits	✓ No minimum participation; eligibility can vary by class
Geographic considerations	Multi-state employers may need multiple plans or networks	✓ Works nationwide
Administrative burden	Employers manage renewals and plan changes	✓ Simplified administration in BEN360

How ICHRA works

Employer sets the budget

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

Employees choose coverage

Employees shop ACA-compliant individual plans in BEN360, picking the carrier, network, and metal tier (Bronze, Silver, Gold) that fits their needs and budget.

BEN360 takes care of the rest

Once employees enroll and coverage is confirmed, BEN360 automatically submits monthly premium payments to carriers.

Contribution strategies

One of the most important decisions in designing your ICHRA is how you set your employer contribution.

$ Flat-dollar

Every employee in a class receives the same fixed monthly allowance.

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

% Age-based (percentage match)

Contributions are tied to a benchmark plan, so they rise with age-banded premiums.

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

Our recommendation: an age-based strategy, because it aligns contributions with age-banded costs for a more equitable, consistent benefit across your workforce.

About benchmark plans

A benchmark plan is the reference point for evaluating ICHRA affordability. In most cases, it's the **lowest-cost Silver plan** available to an employee in their rating area on the individual market. Plans are grouped into metal tiers by the share of costs they cover:

TIER	PLAN PAYS	YOU PAY	DEDUCTIBLE	BEST FOR
Bronze	**~60%**	~40%	$6,000–$9,000	Lowest premiums, highest out-of-pocket costs; best for healthy people who use few services.
Silver	**~70%**	~30%	$3,000–$6,000	Balanced premiums and cost-sharing. CSR variants can raise coverage to 73–94% for eligible people.
Gold	**~80%**	~20%	$1,000–$3,000	Higher premiums, lower deductibles; ideal for regular care needs.
Platinum	**~90%**	~10%	$0–$1,500	For significant medical needs: higher premiums, minimal cost at the point of care.

Affordability compliance

If you're an applicable large employer (ALE), keeping your ICHRA affordable under ACA rules is a key part of compliant plan design. The IRS considers coverage affordable when the employee's **share of the premium for the lowest-cost Silver plan** in their area doesn't exceed 9.96% of household income for 2026.

10.22%

2026 AFFORDABILITY RATE

Up from 9.96% in 2026

Employee classes

Offer ICHRA to different classes of employees, or combine two or more of the groups below. Within a class, the ICHRA must be offered on the same terms to everyone.

- **All employees**
- **Full-time employees**
- **Part-time employees**
- **Salaried employees**
- **Non-salaried employees**
- **Seasonal employees**
- **Temporary employees**
- **Employees in the same rating area**
- **Employees still in a waiting period**
- **Employees covered by a collective bargaining agreement**
- **Non-resident aliens with no US-based income**

11 CLASSES · MIX AND MATCH

Example: offer different amounts to full-time and part-time employees, or to employees in different states.

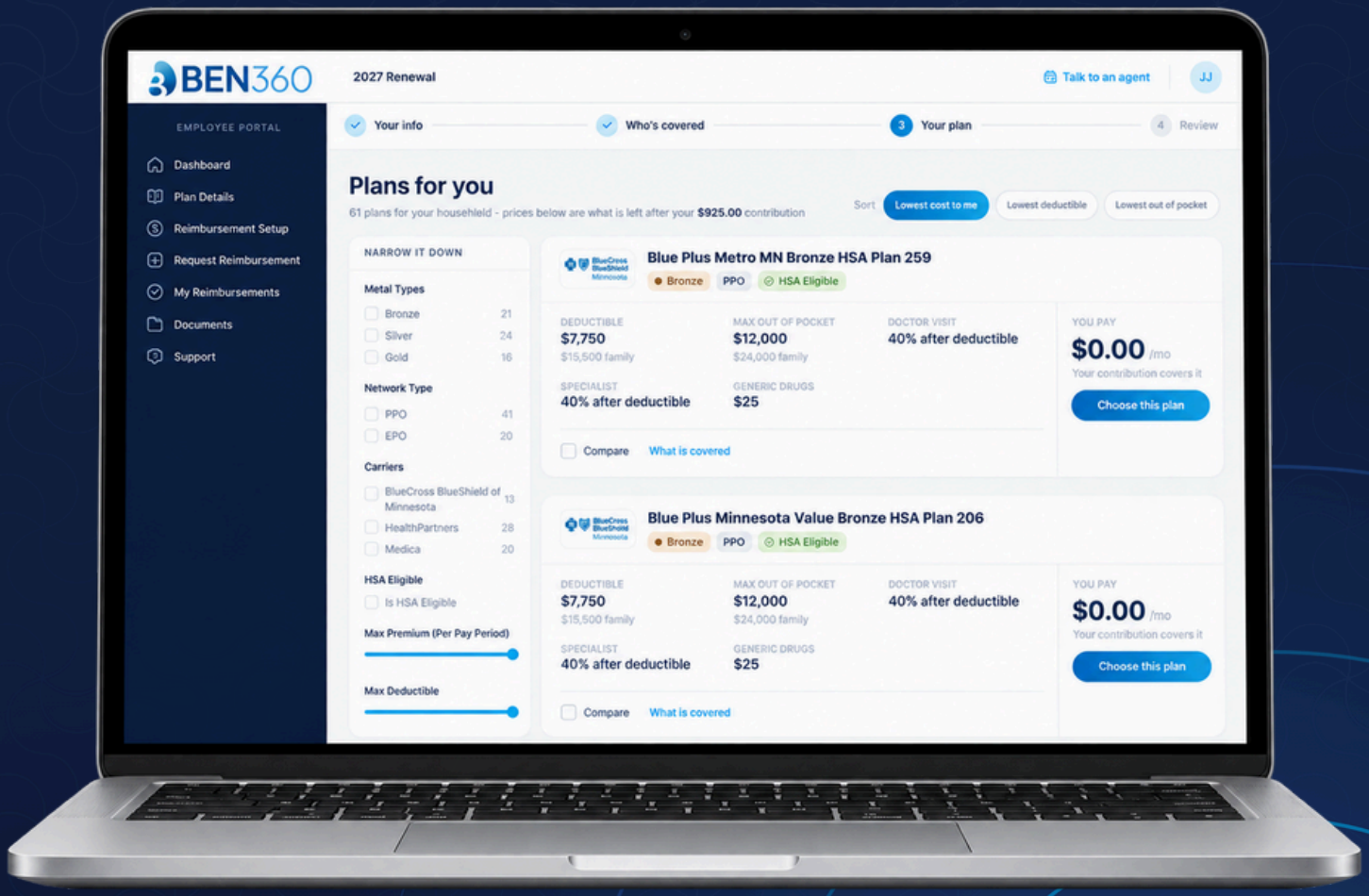
Medicare and ICHRA

An ICHRA can also reimburse employees enrolled in **Medicare Parts A and B or Part C (Medicare Advantage).** If your ICHRA's design allows, it can also reimburse supplemental coverage such as Medigap or Part D prescription drug plans.

You can structure contributions differently for Medicare-eligible employees to reflect how Medicare is priced. Benafica helps keep your plan design compliant.



BEN360: our ICHRA platform



BEN360 is our in-house ICHRA platform, built from the ground up on real feedback from employers, HR teams, and brokers. Every feature makes the experience simple and transparent, from onboarding to ongoing administration.

- **Payment transparency**
- **Plan visibility**
- **Enrollment tracking**
- **On-demand reports**
- **Year-round support**

LEARN MORE →

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
- **Summary Plan Description (SPD)**
  simplified version you share with employees
- **Required employee notice**
  before the initial start date, then at least 90 days before each plan year
- **Employee classes and eligibility rules**
  with an annual review
- **Affordability compliance**
  with annual adjustments
- **Verifying minimum essential coverage**
- **Opt-out tracking**
- **Qualifying life events**
- **Reimbursement substantiation**
  in line with HIPAA privacy and security rules
- **Record retention**
  in line with IRS and HIPAA requirements

WHAT EMPLOYERS ARE RESPONSIBLE FOR

- [ ] **Payroll withholding and reconciliation**
- [ ] **ACA information reporting**
  ALEs: 1094-C and 1095-C · others: 1094-B and 1095-B
- [ ] **Pay Annual PCORI fee**
  Benafica helps calculate it
- [ ] **Form 5500 filing**
  if required under ERISA
- [ ] **Medicare Part D creditable coverage notices**
- [ ] **Section 111 MSP reporting**
  Medicare Secondary Payer, if applicable
- [ ] **A secure backup of key records**

Need extra support? 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.

1 ICHRA expertise and strategy design

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

2 Prepare to launch your ICHRA

- Choose your start date and coordinate with renewal timelines
- Set employee expectations with clear communication and materials
- Meet the 90-day notice and ACA affordability requirements

3 Employee onboarding and enrollment

- Send employee invitations to BEN360
- Provide enrollment guides, videos, and plan comparison tools
- Offer one-on-one help from licensed counselors
- Track onboarding progress in the employer dashboard

4 Implementation and administration

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

5 Ongoing support and renewals

- Year-round support from a dedicated account manager
- Manage new hires, terminations, and life events
- Review annual updates and renew your contribution strategy