



2022 ICHRA Report



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Introduction

In a world where individuals are being increasingly empowered to make their own purchase decisions—whether it's in the content they watch, the sneakers they custom design, or the fitness apps they use—it's baffling that many Americans aren't given that opportunity through their traditional, employer-sponsored health benefit.

Not only are traditional group health insurance plans making less sense for today's employees, they are also growing less attainable for employers to offer. With rising premiums, annual rate hikes, and strict participation requirements, these plans are causing some employers to search for a more affordable benefits solution.

In the search for a health benefit that offers more autonomy for employees and more budget control for employers, many have found that the [individual coverage health reimbursement arrangement](#) (ICHRA) meets the needs of both employees and employers.

With it, organizations can offer a defined monthly allowance for employees to spend on the individual health insurance plans and out-of-pocket medical expenses of their choosing, including prescription drugs, doctor's visits, eye glasses, and more.

Given the ICHRA's flexibility over group health insurance plans, its popularity has grown steadily among employers both big and small since it became available in 2020.

As the first company to deliver an ICHRA product to market, PeopleKeep is uniquely positioned to share insights on how the ICHRA is being used by today's SMB employers. In this report, we'll highlight year-over-year changes in opted-in employees, allowance amounts, classes offered, popular expenses submitted, and more.

Methodology

This report utilizes data gathered from PeopleKeep's ICHRA customers from midyear 2021 to midyear 2022. Year-over-year comparisons also incorporate data collected between midyear 2020–2021.

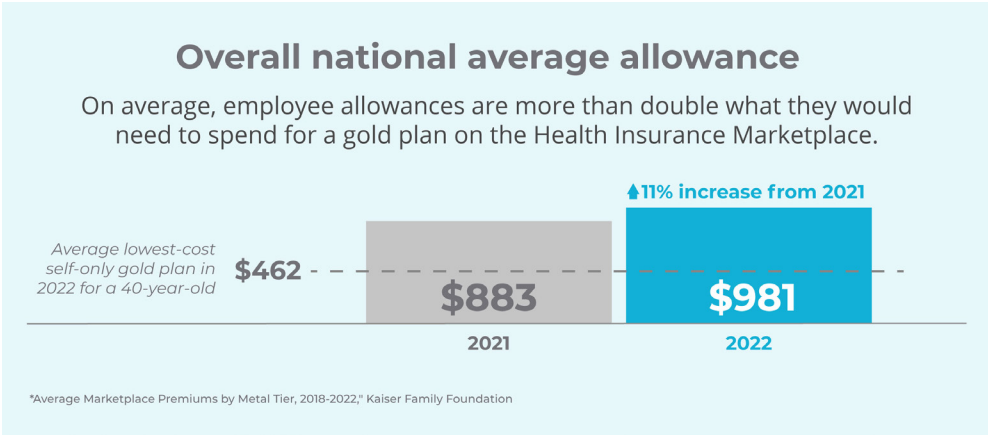
Allowances

To begin our report, we looked at the allowance amounts employers chose to offer their employees. Here, we found evidence of year-over-year growth.

Overall national average allowance

The average monthly allowance employers offered their employees between July 1, 2021, and June 30, 2022 was \$980.75, an 11% increase from the previous 12-month average monthly allowance of \$882.51. This year's average allowance amount also exceeded the cost of the average lowest-cost self-only gold plan premium on the federal health insurance marketplace, healthcare.gov, which comes in at \$462.

By making this comparison, we can see that, on average, employees looking for self-only health coverage likely had more than enough to pay for a gold-level health plan as well as additional funds to cover the out-of-pocket expenses that they needed. Those looking for health insurance for their families as well received an even higher average allowance from their employers, as we'll see in the next section.



Average allowance by family status vs. QSEHRA allowance caps

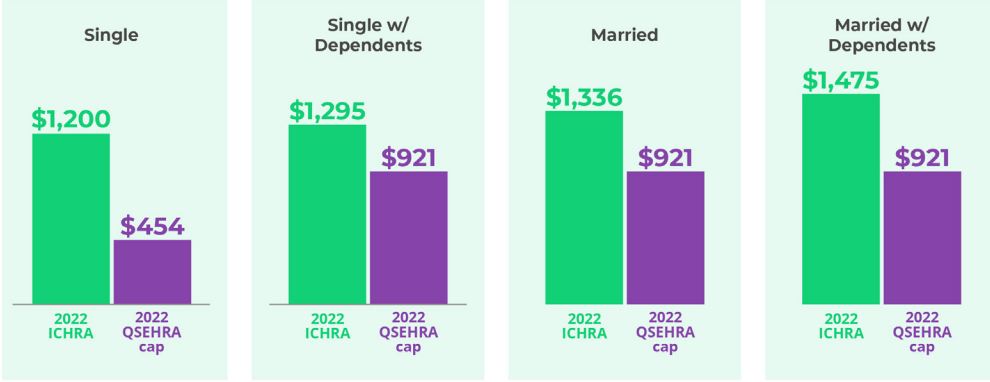
One factor that separates the ICHRA from the qualified small employer (QSEHRA) benefit, which has been available to employers with fewer than 50 full time employees since 2016, is that with an ICHRA, employers are not limited in the allowance amounts they can offer their employees.

Our data show that employers are taking advantage of the lack of allowance restrictions, consistently offering higher allowance amounts than the 2022 QSEHRA allowance caps permit across all family statuses—in some cases as much as a 164% increase.

The monthly QSEHRA allowance cap in 2022 is \$454.16 for single employees. In contrast, our report finds that the average monthly allowance for single employees offered an ICHRA is \$1200.17—an increase of 164%. Similarly, the QSEHRA cap for employees who aren't single (single employees with dependents, married employees, and married employees with dependents) is \$920.83 whereas for ICHRA, where employers can differentiate additional family status, the average allowance for married employees with dependents is \$1,475.24.

Average allowance by family status vs. QSEHRA allowance caps

With no cap on allowances, employers with an ICHRA are able to offer more in allowances than they can with a QSEHRA.



Premium-only vs. premium-plus

When setting up the ICHRA benefit, employers can choose whether they want to offer a premium-only or premium-plus plan, meaning they can choose to only reimburse employees for their health insurance premiums, or also reimburse qualifying out-of-pocket healthcare expenses in addition to premiums.

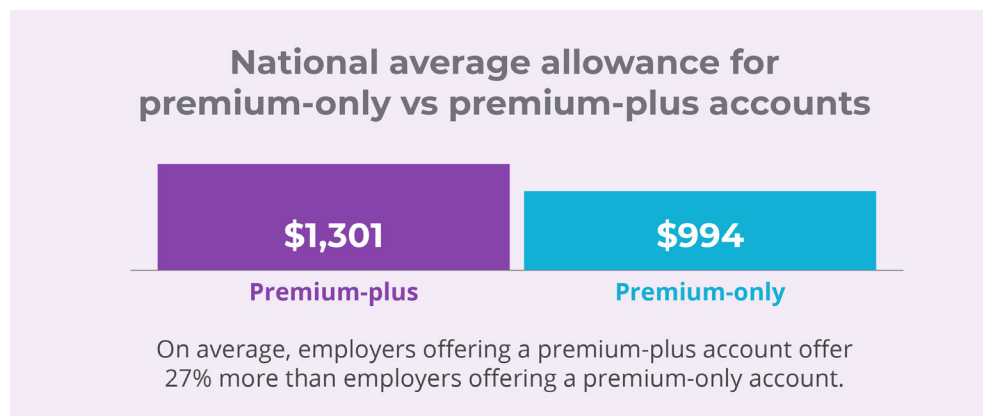
Our data shows that over the last year, 82% of employers chose to offer a premium-plus ICHRA, thus giving their employees the ability to purchase any eligible item under IRS Publication 502.



National average allowance

When looking at how employers with a premium-only account set up their benefit compared to employers with a premium-plus account, our analysis shows that, on average, the premium-plus accounts offered a 27% greater allowance than premium-only accounts.

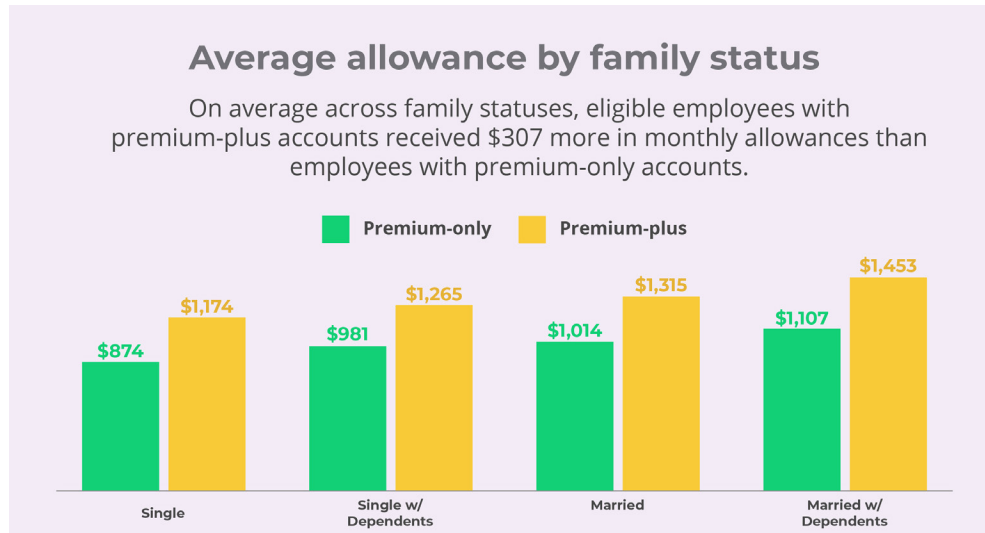
The overall national average allowance for premium-only accounts over the last year was \$994.06, while the average allowance for premium-plus accounts was \$1,300.53. This is consistent with findings from previous years, as premium-plus accounts generally offer a higher allowance to allow employees to cover not only their health insurance premium, but also any other HRA-eligible healthcare expenses. These include prescription and nonprescription drugs, contact lenses, and even over-the-counter products like cough drops and sunscreen.



Average allowance by family status

When comparing the premium-only and premium-plus allowance amounts across family statuses, our data show that the increased allowances for premium-plus accounts has been consistent across each group.

For single employees, single employees with dependents, married employees, and married employees with dependents, the average allowance amounts for premium-only accounts were: \$874.14, \$980.82, \$1,013.83, and \$1,107.45. In the same order, the average allowance amounts for premium-plus accounts were: \$1,173.51, \$1,265.18, \$1,315.28, \$1,453.05.



Share of ALEs who use ICHRA as a stand-alone health benefit

One benefit of the ICHRA is that it can be structured to meet the Affordable Care Act’s employer mandate for applicable large employers (ALEs). This means that ALEs can turn to ICHRA as their stand-alone health benefit, or they can choose to offer an ICHRA to specific employees and a group health insurance plan to others.

Over the last year, we found that 93% of ALEs chose to offer an ICHRA as their only health benefit, which is an 8% increase over the previous year. This illustrates that more employers see the value of offering the ICHRA as a stand-alone benefit, completely eliminating the time and financial hurdles associated with administering a traditional group health insurance plan.

Share of ALEs who use ICHRA as a stand-alone health benefit

ALEs—or applicable large employers—are organizations that have at least 50 full-time equivalent employees and are required by law to offer health coverage to their employees.



Over the last year, 93% of ALEs chose to offer an ICHRA as their only health benefit.

Classes

One of the most attractive features of the ICHRA is its availability of classes, allowing employers to offer different allowance amounts to employees based on job-based criteria, such as offering a higher allowance to full-time employees than part-timers or seasonal workers.

PeopleKeep’s software supports the following specific employee class types:

- Full-time
- Part-time
- Seasonal
- Salaried
- Non-salaried
- Employees in a different state

Most popular classes

First, we looked at which employee classes were most popular among employers. Use of the full-time employee class was the most common, followed by use of the salaried employee class, state-based class, and part-time employee class.

Most popular classes



1. Full-time
2. Salaried
3. State-based
4. Part-time

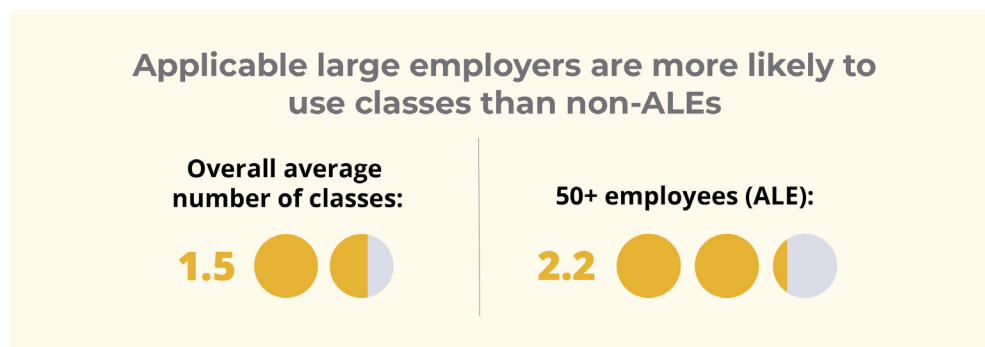
Number of classes offered

Next, we looked at the number of classes employers generally chose to offer. On average, most employers (75%) chose to only offer one class, while smaller percentages offered two (16%) and three or more (9%).



How company size influences class usage

We also looked at how company size influences an employer's class usage. In previous years, we've found that the larger the company, the more classes an employer will offer. This is consistent with our findings this year. The average number of classes offered by ALEs was 2.2, which is 39% higher than the overall average of 1.5 classes.



State-based classes

The last class-based analysis we conducted was a look at the share of employers who chose to offer state-based classes. As the popularity for remote works continues to grow, so does the utilization of state-based classes.

Over the last year, we saw that nearly a quarter (24%) of employers utilized state-based classes. This is an increase of 7% year-over-year as well as an increase of 12% since 2020—the first year the ICHRA became available.

Out-of-pocket expenses submitted by employees

When looking at the most common out-of-pocket expenses submitted by employees, office visits and prescription drugs consistently come out on top. We took a closer look at these two categories of expenses to see how often employees are submitting these types of expenses and how much they're getting reimbursed.

On average, employees who submitted expenses for reimbursement over the last year submitted 3.9 office visit expenses with an average reimbursement amount of \$124.20 per visit. They also submitted an average of 9.8 prescription drug expenses with an average reimbursement amount of \$57.71.

Having this kind of data is especially valuable for employers who are new to the ICHRA and are unsure of how much of an allowance to offer. By looking at the average dollar amount for each office visit and prescription expense, employers can make a more educated decision on how much their employees will need to get their typical out-of-pocket costs covered.



Office Visits

\$124.20
average reimbursement amount.

3.9x
average visits per year*

*Average number of expenses submitted by employees who submitted expenses



Prescriptions

\$57.71
average reimbursement amount.

9.8x
average visits per year*

*Average number of expenses submitted by employees who submitted expenses

Conclusion

Despite only being in the market since 2020, the ICHRA has grown rapidly in its popularity among employers looking for an affordable and personalized health benefit for their employees.

With the growth in opted-in employees, rising allowance amounts, and increased utilization with employee classes, the data from this report show that the ICHRA is not only here to stay, but has asserted itself as a strong alternative to traditional group health insurance plans.

When you're ready to start offering an ICHRA at your organization, PeopleKeep's hassle-free software and award-winning customer support team can help. Schedule a call with one of our personalized benefits advisors to get started today.



PeopleKeep helps organizations of all sizes offer competitive benefits at a price they can afford. Our simple benefits automation software combined with our award-winning customer support team allows employers to manage their benefits in minutes per month.

Find out why more than 3,000 companies use PeopleKeep to hire and keep their people across the United States. [Schedule a free, no-obligation assessment today!](#)

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