

2023 ICHRA Annual Report



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Introduction

In a world of consumer choice where individuals are empowered to make their own decisions, it's surprising that many Americans don't have the opportunity to choose their own health coverage or network.

Traditional group health insurance plans make less sense for today's diverse workforce. They're not flexible enough to meet the unique needs of workers and they're less attainable for employers to offer.

Many employers have found the [individual coverage health reimbursement arrangement](#) (ICHRA) offers more autonomy for employees and budget control for employers than traditional group plans. With it, organizations of all sizes 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, doctors' visits, glasses, and more.

Given the flexibility of an ICHRA over group health insurance plans and its ability to help applicable large employers (ALEs) satisfy the Affordable Care Act's (ACA) employer mandate, its popularity has grown considerably since it became available in 2020.

According to the [HRA Council](#), of which PeopleKeep is a member organization, ICHRA adoption among U.S. employers grew by 64% between 2022 and 2023.

As the first company to deliver an [ICHRA administration product](#) to market, PeopleKeep is uniquely positioned to share insights on how employers use their benefits. This year's report details how thousands of businesses from across the U.S. used their ICHRA benefit from midyear 2022 to midyear 2023.

This report includes the average allowances organizations offered to employees, how employers designed their benefits, and more.

Methodology

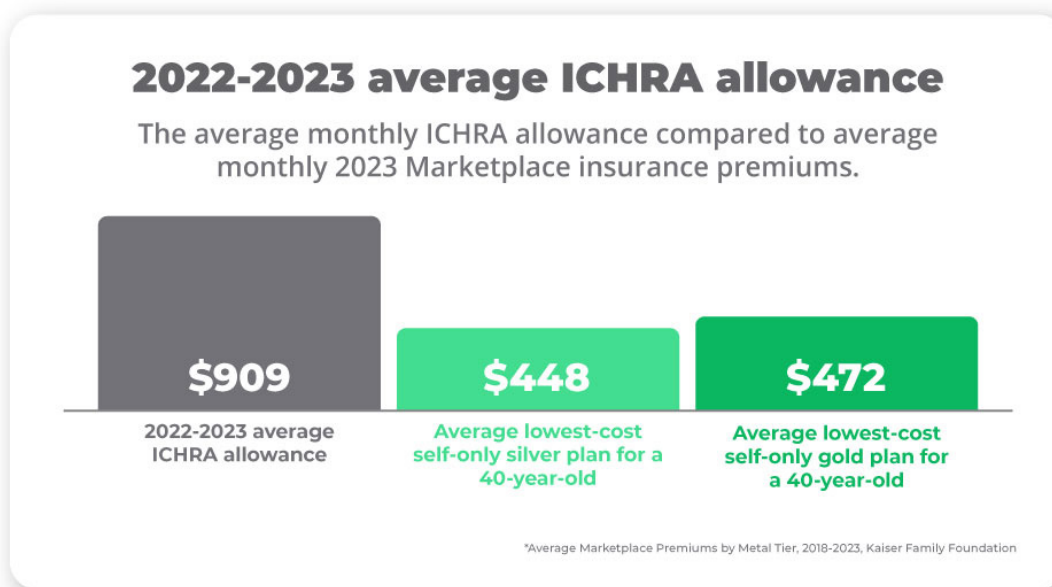
PeopleKeep gathered the data in this report from our ICHRA customers and their employees from July 1, 2022, through June 30, 2023. We examined how organizations of all sizes across various industries used our platform to provide personalized health benefits.

Allowances

We looked at the allowances employers offered to their employees. We then compared the average monthly allowances to the average cost of individual health insurance premiums.

Average monthly allowance

The average monthly allowance employers offered their employees between July 1, 2022, and June 30, 2023, was \$908.80. We also looked at the median monthly allowance employers offered, which came out to \$550. These average and median allowance amounts exceeded the cost of the average lowest-cost self-only gold plan premium on the federal Health Insurance Marketplace, HealthCare.gov, for a 40-year-old, which comes in at \$472.



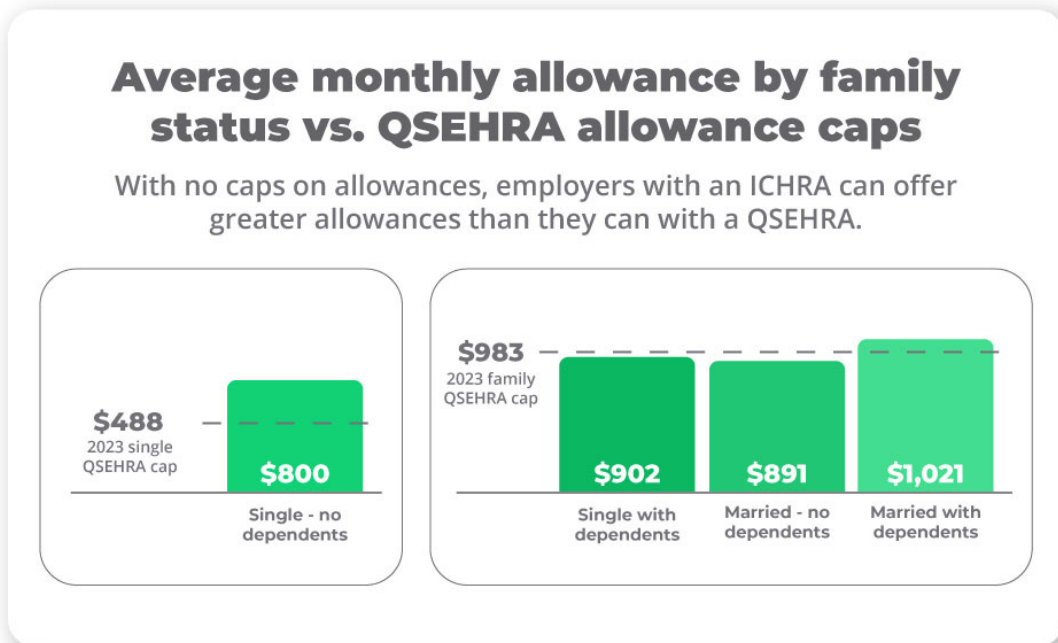
With this comparison, we can see that, on average, employees looking to purchase self-only health insurance coverage likely had more than enough to pay for a gold-level health plan. Employees could use any additional funds to cover qualifying out-of-pocket medical expenses.

As we'll see in the next section, those looking for health insurance coverage for their families received an even higher average allowance from their employers.

Average monthly allowance by family status vs. QSEHRA allowance caps

The ICHRA isn't the only type of health reimbursement arrangement (HRA) available. Another popular type of HRA is the [qualified small employer HRA](#) (QSEHRA), which has been available to employers with fewer than 50 [full-time equivalent employees](#) (FTEs) since 2016.

One of the most significant differences between a QSEHRA and an ICHRA is that with an ICHRA, employers can offer as much of an allowance to their employees as they want. With a QSEHRA, the IRS maintains a maximum annual allowance cap.



Our data show that employers take advantage of the fact that there are no allowance caps with an ICHRA by offering higher allowance amounts than the 2023 QSEHRA allowance caps permit. The monthly QSEHRA allowance cap in 2023 is \$487.50 for single employees without dependents. In contrast, our data show that ICHRA customers gave their single employees \$799.59 on average. The QSEHRA cap for employees who are married or have dependents is \$983.33.

One of the greatest benefits of offering an HRA is the ability to offer an allowance that fits your budget. Because there are no minimum allowance requirements, organizations can offer a smaller, more affordable allowance or offer more to give their employees a more standout health benefit. Employers can also differ allowances by family status. For married employees with no dependents, employers offered an average monthly allowance of \$891.03, while single employees with dependents were offered \$902.06. Employers also offered an average monthly allowance of \$1,020.96 to married employees with dependents. This is greater than the QSEHRA limit.

Average monthly allowance by company size

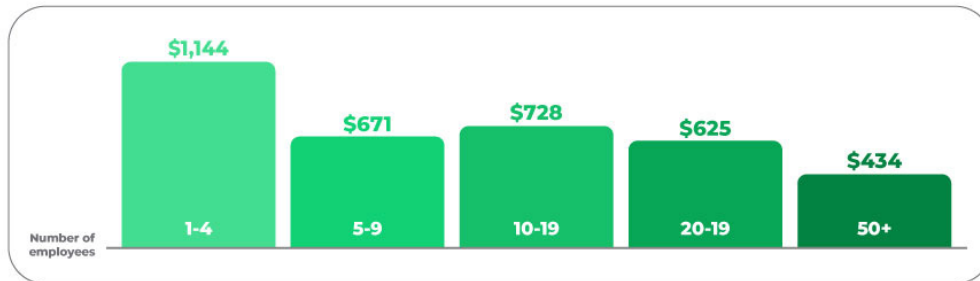
Unlike the QSEHRA, the ICHRA can be adopted by employers of all sizes. This includes applicable large employers (ALEs)—organizations with 50 or more full-time equivalent employees (FTEs)—that want a benefit that satisfies the Affordable Care Act's employer shared responsibility provisions.

For our report, we've segmented our customers into different company size categories:

- One to four employees
- Five to nine employees
- Ten to 19 employees
- Twenty to 49 employees
- Fifty or more employees (ALEs)

Average monthly allowance by company size

The smallest organizations offer 163% more than the largest organizations.



We found that, on average, the smallest organizations offer the highest ICHRA allowances compared to their larger counterparts. In 2023, organizations employing between one and four employees offered roughly 163% more than the largest organizations (they offer 264% as much) with 50 or more employees.

While this may seem counterintuitive, organizations with only a handful of employees may have specific individuals in mind when they set up their benefits. Smaller businesses may also want to take care of their employees as much as possible to reduce turnover and avoid competition for talent from larger organizations.

Plan design

Next, we looked at how our ICHRA customers designed their health benefits. This includes premium-only versus premium-plus accounts, requiring a waiting period for new hires, and employee class design.

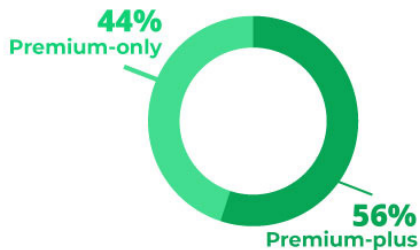
Premium-only vs. premium-plus plans

When setting up an ICHRA with PeopleKeep, employers can choose whether to offer a premium-only or premium-plus plan. With a premium-only plan, employers limit reimbursements to only cover the cost of their employees' individual health insurance premiums. With a premium-plus plan, employers reimburse their employees' premiums and qualifying out-of-pocket medical expenses.

Premium-only vs. premium-plus plans

Employers offering a premium-only ICHRA reimburse their employees for individual insurance premiums only. Employers offering a premium-plus ICHRA allow employees to be reimbursed for individual insurance premiums and more than 200 out-of-pocket expenses.

Percentage of employers offering a premium-only vs. premium-plus plan



Average monthly allowance by benefit design



Our data show that over the last year, 56% of customers offered a premium-plus ICHRA, allowing their employees to purchase any eligible item under IRS Publication 502.

We also examined the average allowance amounts for customers with each ICHRA plan type. Our analysis shows that, on average, employers offering a premium plus plan offer 49% more allowance than premium-only accounts.

The overall national average allowance for premium-only customers over the last year was \$703.81, while the average allowance for premium-plus accounts was \$1,049.50. This is consistent with findings from previous years. Between midyear 2021 and midyear 2022, premium-plus accounts offered 27% more than premium-only accounts. Because premium-plus accounts allow employees to reimburse health insurance premiums and other HRA-eligible expenses, employers offer a higher allowance to accommodate this.

These eligible expenses include prescription and over-the-counter drugs, contact lenses, sunscreen with an SPF of 15 or greater, and hundreds of other options.

Waiting periods

In addition to being able to customize allowances and deciding whether to limit reimbursements to only cover insurance premiums or not, employers can implement voluntary features like waiting periods.

A waiting period, sometimes called a probationary period, is the period of time new employees must wait before they can use their ICHRA benefit. This is helpful for employers who want to align their ICHRA with other probationary employee benefits already in place.

Roughly 31% of customers implemented a voluntary waiting period for new employees to join the benefit. This shows that most customers that offer an ICHRA don't use waiting periods.

Waiting periods

Most employers chose not to impose a waiting period for new employees to join the benefit.



Most popular employee classes

One of the most attractive features of the ICHRA is the ability for employers to offer different allowance amounts and vary benefit eligibility based on job-based criteria. An example of this is 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
- Salaried
- Non-salaried
- Employees in a different state
- Seasonal

Employers can also create combinations of the above classes, such as a full-time salaried class.

We looked at which employee classes were most popular among employers. The use of the full-time class is most common, followed by salaried, state-based, and non-salaried classes.

Most popular employee classes

Employee classes are a way employers can separate their employees into groups using legitimate job-based criteria.

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



Class design by organization size

We also examined 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 offers. This is consistent with this year’s findings.

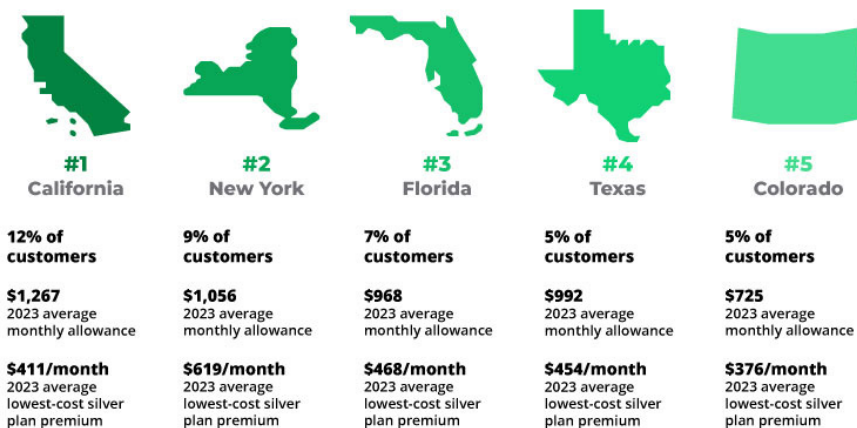


The average number of classes ALE offered is more than three times the amount of classes non-ALEs use, higher than the overall average of 1.6 classes. This is also a 127% increase from 2022 when ALEs offered an average of 2.2 classes.

Top five most popular states for PeopleKeep ICHRA customers

PeopleKeep serves companies and employees in every state and the District of Columbia. We broke down our ICHRA data by state to determine the most popular states by number of customers. We compared the average monthly allowances for organizations in these states to the [average lowest-cost silver plan monthly premium](#) on the individual health insurance marketplace.

Top 5 most popular states for PeopleKeep ICHRA customers



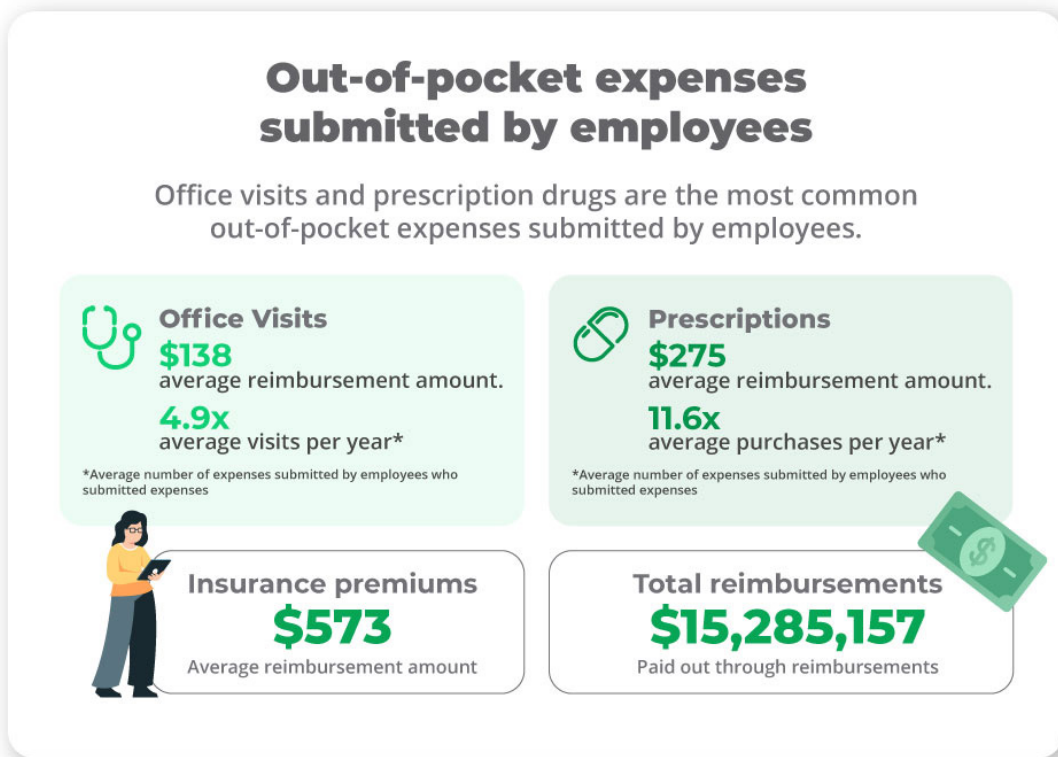
The most popular states for ICHRA customers were California (where 12% of our customers are based), New York (8.56%), Florida (7.36%), Texas (5.07%), and Colorado (4.95%). The customers in these states offered an average allowance greater than the average price of the lowest-cost silver and gold plans in those states.

Out-of-pocket expenses submitted by employees

When looking at the most common out-of-pocket expenses submitted by employees, insurance premiums, office visits, and prescription drugs consistently come out on top. We took a closer look at these three categories of expenses to see how often employees submit these types of expenses and how much their employers reimburse them.

On average, employees who submitted expenses for reimbursement over the last year submitted 4.9 office visits with an average reimbursement amount of \$137.92. They also submitted an average of 11.6 prescription drug reimbursement requests with an average amount of \$275.42. While this amount may seem high, it reflects how employees can submit multiple prescriptions in the same reimbursement request.

The average reimbursement amount for insurance premiums submitted over the last year was \$573.14.



This data is valuable to employers who are new to the ICHRA and are unsure of how much to offer as an allowance. By looking at the average cost for each office visit, prescription expenses, and insurance premiums, employers can make a more educated decision on how much their employees need to get their typical out-of-pocket costs covered.

Conclusion

Since first becoming available in 2020, the ICHRA has grown rapidly in popularity among employers looking for an affordable and personalized health benefit for their employees.

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. The customer data in this report shows that organizations of all sizes can leverage an ICHRA to provide their employees with a comprehensive, individualized health benefit to attract and retain top talent.

When you're ready to offer an ICHRA to your employees, PeopleKeep's experts are here to help. Schedule a call with a personalized benefits advisor today to start offering the personalized benefits your employees deserve.



PeopleKeep helps organizations of all sizes offer personalized employee benefits at a price they can afford. Our simple benefits administration platform, combined with our award-winning customer support team, allows employers to easily manage health and lifestyle benefits in just a few minutes each month. Discover why thousands of organizations use PeopleKeep to better care for their teams with more meaningful benefits. Schedule a call with a personalized benefits advisor to start offering competitive benefits today!

Discover why more than 3,000 organizations use PeopleKeep to hire and keep their people across the United States. [Schedule a call with a personalized benefits advisor to start offering competitive benefits today!](#)

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