



TAKE COMMAND HEALTH

The ICHRA Opportunity: BHINI Meeting | Feb 2020

TakeCommandHealth.com



Overview of notes

Topics

- 1 What is ICHRA?
- 2 What we've learned from early adopters
- 3 The ICHRA opportunity for individual brokers and their GAs
- 4 Discussion: What's your ICHRA strategy? How can we collaborate?



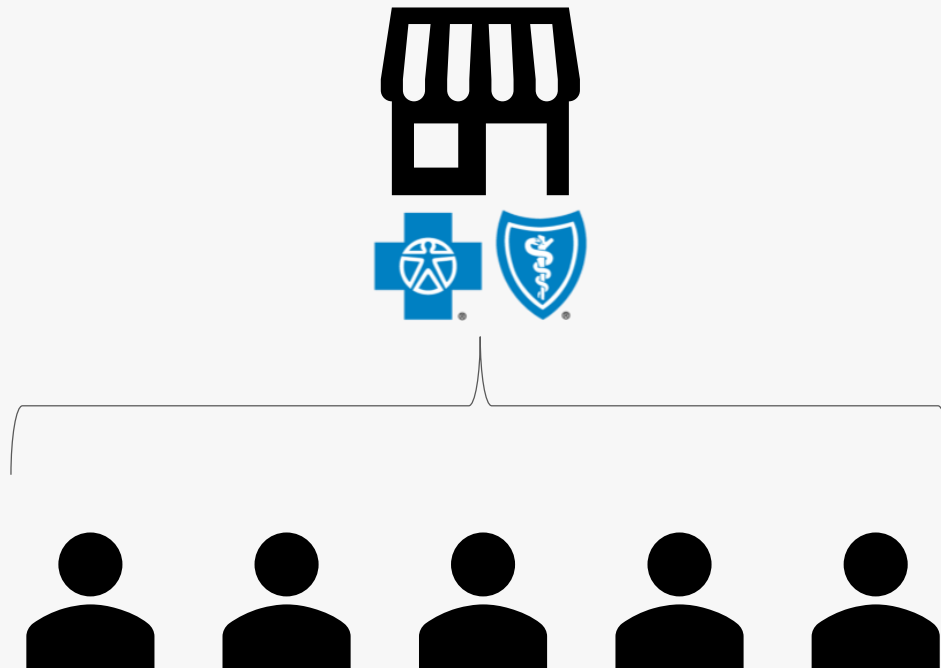
1 What is ICHRA? (“ick-RAH”)

And why it’s a bigger deal than most people realize

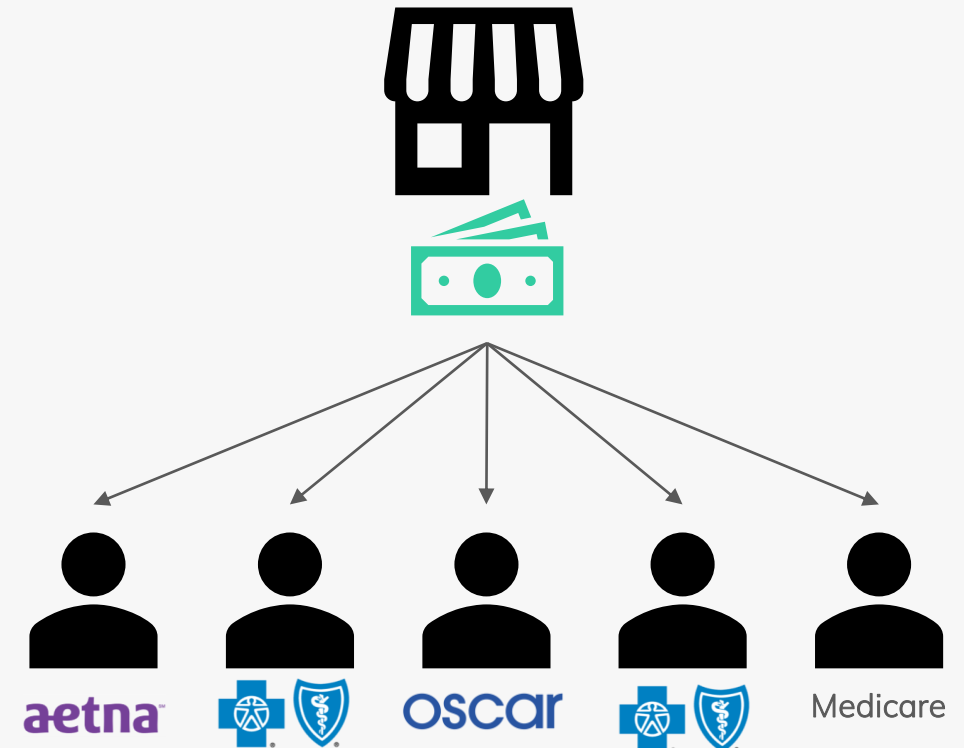


ICHRA is a **new way** for employers to provide health benefits to employees by reimbursing for individual insurance

Old Way (Group Plans)



New Way (ICHRA)

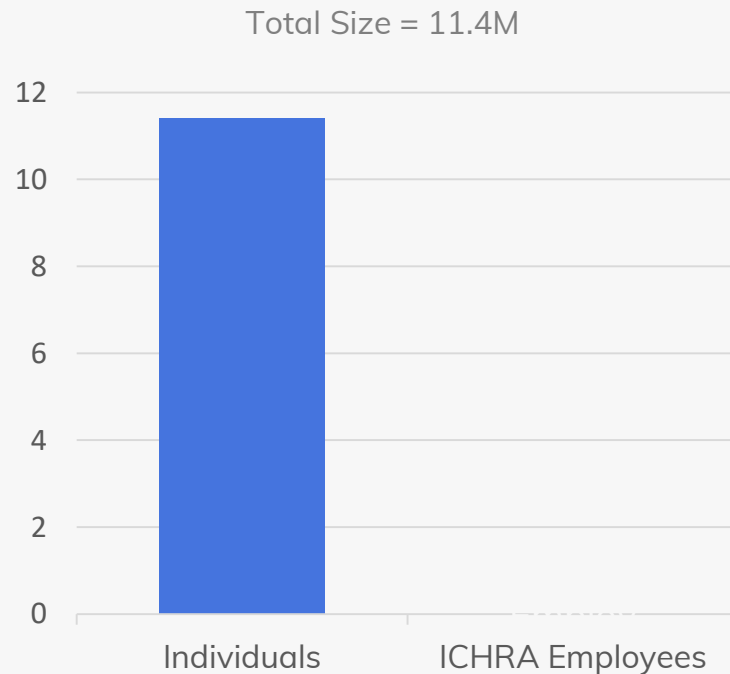


ICHRA is the individualization of the group market

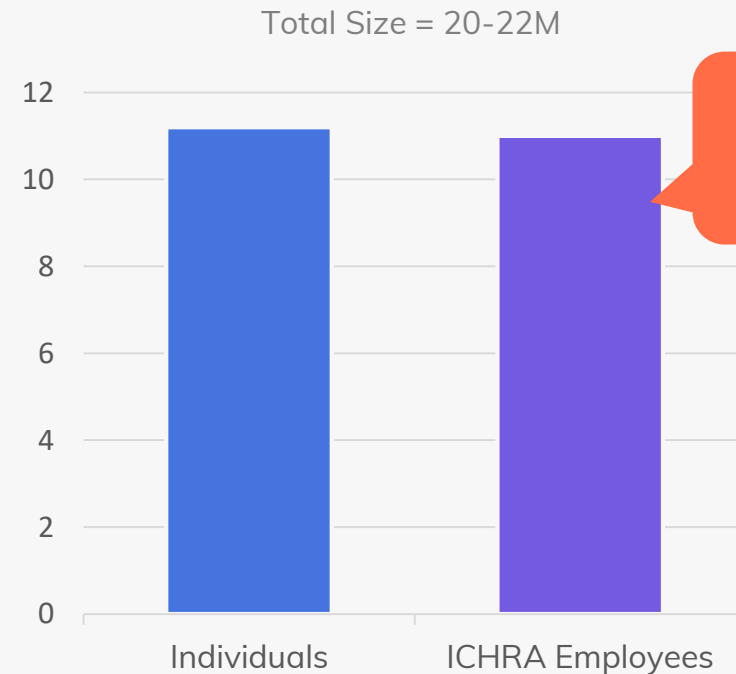


ICHRA is projected to drive ALL growth in the U65 individual market in the next few years

Current Individual Market



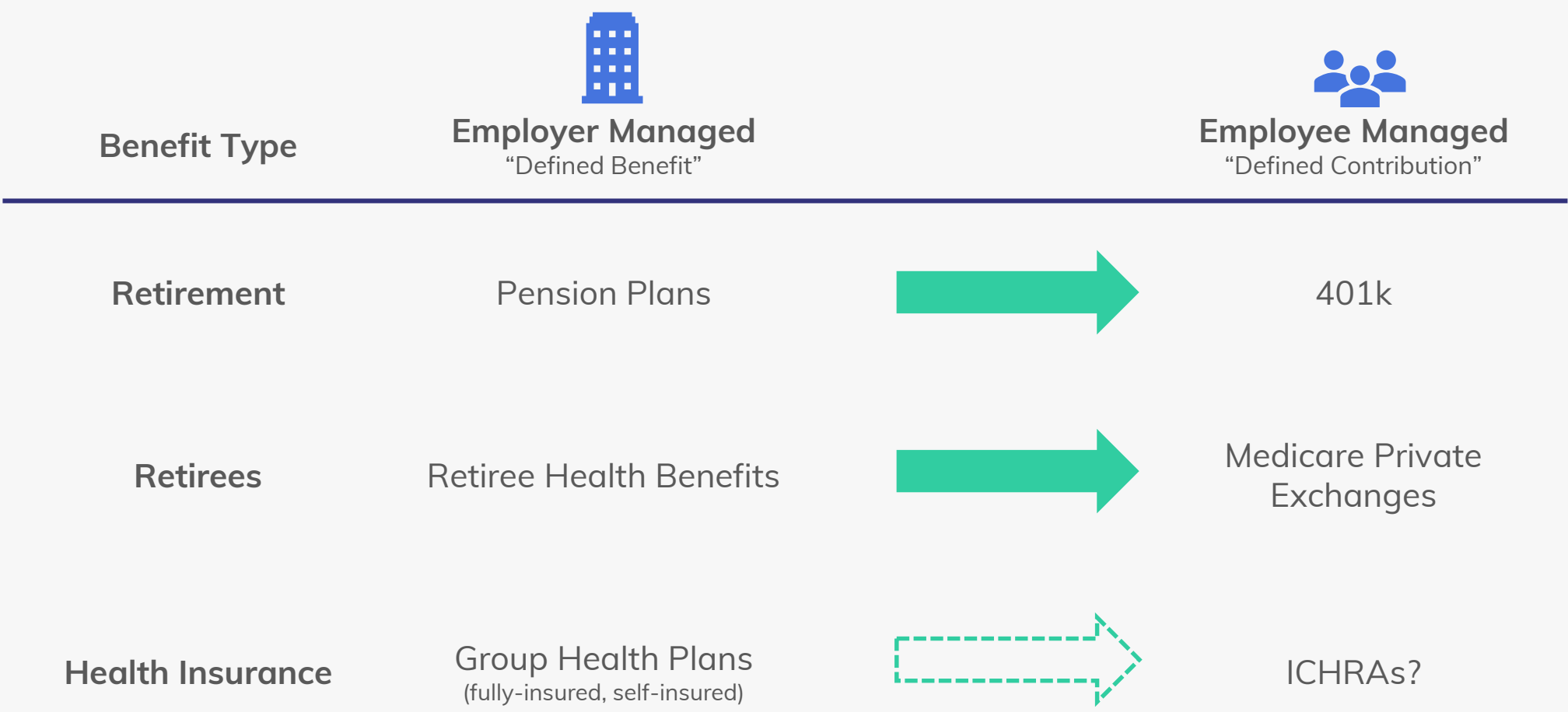
Future Market (5-10 years)



All the growth in the individual market is projected to be employees using ICHRA



Market Trends: This represents a broader trend in the employer benefits market



Employees get choice; Employers get to jettison risk



Comparing “Reimbursement” HRAs: ICHRA represents a major expansion on QSEHRA

New!

	QSEHRA Qualified Small Employer Health Reimbursement Arrangement	ICHRA Individual Coverage Health Reimbursement Arrangement
Available Year	2017	2020
Works with	Individual Plans	Individual Plans
Reimbursement Options	Individual Premiums + Expenses	Individual Premiums + Expenses
Size Limits	Limited to under 50 employees	No Size Limits (can satisfy employer mandate)
Contribution Limits	~\$5k for single; ~\$10k for family	No Limits
Premium Tax Credit (PTC) Interaction	Offsets	If “Affordable”: No PTC; If “Not Affordable”: Employees Choose
Employer Design Options	Must offer all employees “same terms”	Can vary terms by employee classes
Employee Requirements	Maintain Minimum Essential Coverage (MEC) (can be spouse’s group plan)	Maintain Individual Coverage (cannot be spouse’s group plan)
Group Ancillary	Not Allowed	Allowed!



Other Important Changes for HRAs



Year-Round Enrollment Opportunity

- QSEHRA and ICHRA will trigger a “special enrollment”
- Allows employees to enroll in an individual plan when gain eligibility for ICHRA or QSEHRA
- 60 day window



Employee Classes

- Employers could divide employees into multiple “classes”
- Each class could have a different health benefits solution (including group plans)
- Note: Can only offer one solution to each class



ICHRA Classes: Let's get creative!



Employee Classes

- Full-Time ●
- Part-Time ●
- Seasonal
- Collective Bargaining Agreement (CBA)
- Waiting Period
- Non-resident alien
- Rating area ●
- ★ Salary vs Non-Salary (New!) ●
- ★ Staffing Firm Employees (New!)
- ★ New Hire Subclass (New!)

➡ Combo classes: can combine any of the above!

Minimum Class Sizes

If no classes have a group plan:

- No minimum class size

If one or more classes have a group plan:

- Some classes (●) subject to minimums:

Employer Size (Employees)	Minimum Class Size
< 100	10
100-200	10%
200+	20

- Minimums apply to combo classes unless it's the "waiting period" class
- Minimums only apply to "rating area" if designing a class smaller than a state



How does QSEHRA and ICHRA interact with Premium Tax Credits (PTC) if employees are otherwise eligible?

QSEHRA

Offsets

Example: Bob is eligible for a \$300/mo PTC and receives a \$200/mo QSEHRA contribution.

Bob's PTC is reduced by \$200/mo to \$100/mo.

Bob still gets \$300/mo but his company is paying \$200/mo that Uncle Sam would pay.

ICHRA “Affordable”

Not Eligible for PTC

Example: Bob is eligible for a \$300/mo PTC and receives a \$200/mo ICHRA that is considered “affordable”.

Bob is not eligible for the PTC.

ICHRA “Not Affordable”

Employee Chooses

Example: Bob is eligible for a \$300/mo PTC and receives a \$200/mo ICHRA that is considered “not affordable”.

Bob can choose, at least annually, to “opt out” of the ICHRA and receive the PTC.

2 What we learned from early adopters

And why you should be very, very excited!



We had over 130 employers start an ICHRA effective January 2020

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Top 12 most common industries

1. Non-Profits
2. Associations
3. Software and Technology
4. Home Health
5. Healthcare Providers
6. Financial Services
7. Household
8. Professional Services (Architects, Engineering, etc.)
9. Consulting
10. Churches
11. Staffing Firms
12. Manufacturing and Construction

What they looked like

Overview:

- 130 employers
- 1000 enrolled employees
- 10+ ALEs
- 25 employers enrolled through group broker pilot program
- Average Reimbursements:
\$400-1,200/mo (single), \$500-\$1,500/mo (family)

Participation:

- Average enrolled by employer: 7
- Enrolled range: 1-150
- Eligible employee range: 1-350

Most common design “classes”:

- Full-Time vs Part-Time
- Salary vs Hourly
- Location (almost all state-level)



Although QSEHRA and ICHRA function the same, they are attracting different segments of the market

QSEHRA

“On-ramp” to benefits



Most are new to benefits

Average Reimbursement:
\$330/mo (single), **\$500/mo** (family)

Average Participants: **3.5**

Participant Range: **1-42**

Acquisition: Mostly direct or through CPA partners

ICHRA

“Exit” from managing group benefits



Many have had benefits before

Average Reimbursement¹:
\$400-1,200/mo (single), **\$500-\$1,500/mo** (family)

Average Participants: **5.7**

Participant Range: **1-205**

Acquisition: Mostly direct or through broker partners

1. Most ICHRA reimbursement designs varied by age on a 1:3 ratio from age 26:64.



Among early adopters, most were using ICHRA to solve problems or limitations with traditional group plans

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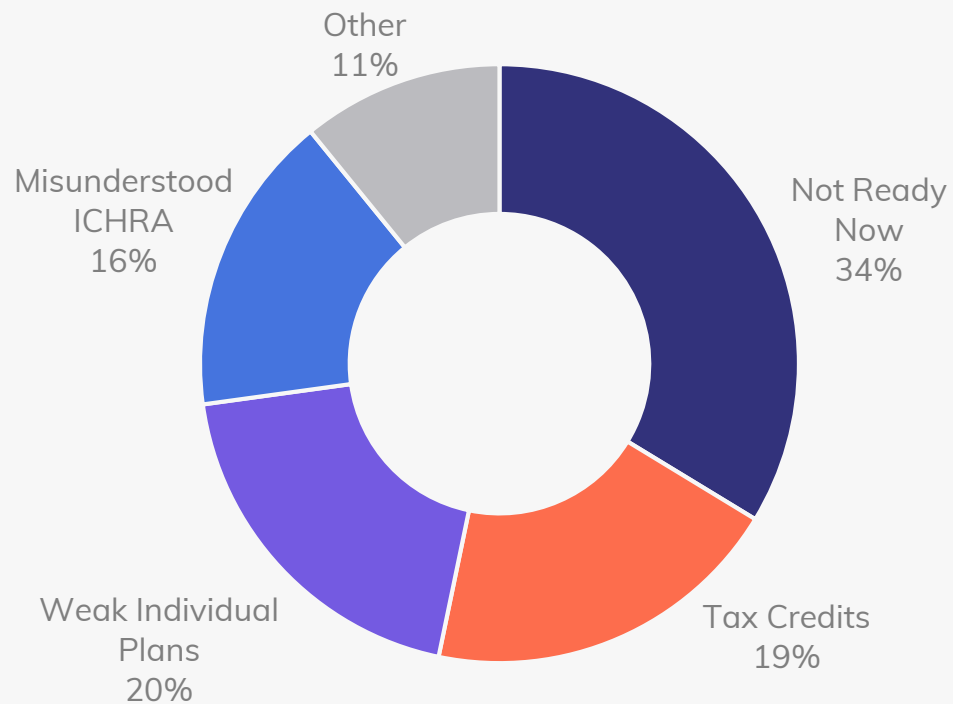
Key Issue	Client Story	Examples
Risk	"Help! I'm getting a huge renewal!"	<ul style="list-style-type: none">Failing self-funded or level-funded plansEmployers who can no longer absorb increasesEmployers with limited budgets
Cost	"What's the minimum I can do?"	<ul style="list-style-type: none">New ALEsLow-wage employeesEmployers that are just trying to meet the mandate
Participation	"I can't get my employees to participate and my group plan is falling apart"	<ul style="list-style-type: none">Lots of Medicare-eligible employeesMix of high-wage and low-wage employeesStart of participation "death spiral"
Flexibility	"I need more flexibility than group plans allow"	<ul style="list-style-type: none">Home office wants regional group plan that doesn't cover remote workersLots of remote workersMix of full-time and part-time
Tax Credits (small employers)	"I want to offer something, but some of my employees get large tax credits"	<ul style="list-style-type: none">Small employers offering benefits for the first timeSmall employers who recently dropped their group plan
Tax Deductions (micro employers)	"I need a way for my business/non-profit to pay for my insurance"	<ul style="list-style-type: none">Small non-profitsFamily-run businessesHousehold employeesSole proprietors (with a corporate entity) looking for tax deductions



We also learned areas where ICHRA didn't work (yet)

Responses from 200+ employers that did not adopt ICHRA in Jan 2020

Top Reasons Given



Notes and Quotes

Why did you not go with ICHRA?

- "We learned about ICHRA too late... will definitely consider next year"
- "Our employees can't afford the initial payments"
- "We were concerned employees would view it as a loss of benefits"
- "The deal-breaker was having to have employees pay for the plans"
- "Employees live paycheck-to-paycheck and can't float the premiums"
- "Owner wanted a PPO"
- "Employees would have to forfeit their tax credits"
- "Individual plan options felt too limited"



What types of employers win with ICHRA?

ICHRA Loses

✗ Provider Networks

- Individual plans generally have narrow, HMO or EPO based networks

✗ Premium Pricing

- On average, individual plans are more expensive for similar coverage

These are *significant* hurdles, but vary in geography and importance to some employers (and classes)

ICHRA Wins

Employers

- + Cost control
- + Plan customization and flexibility
 - No minimum participation concerns
- + Risk management (for rated employers)

Employees

- + Network agnostic
- + Plan portability
- + Plan choice & personalization
- + Customer support

Reminder: Have to consider this analysis by employee class

3 The ICHRA Opportunity

What we do and what we need to win together with ICHRA



Based on what we've seen so far, we've identified 4 "tipping points" that could result in rapid ICHRA adoption

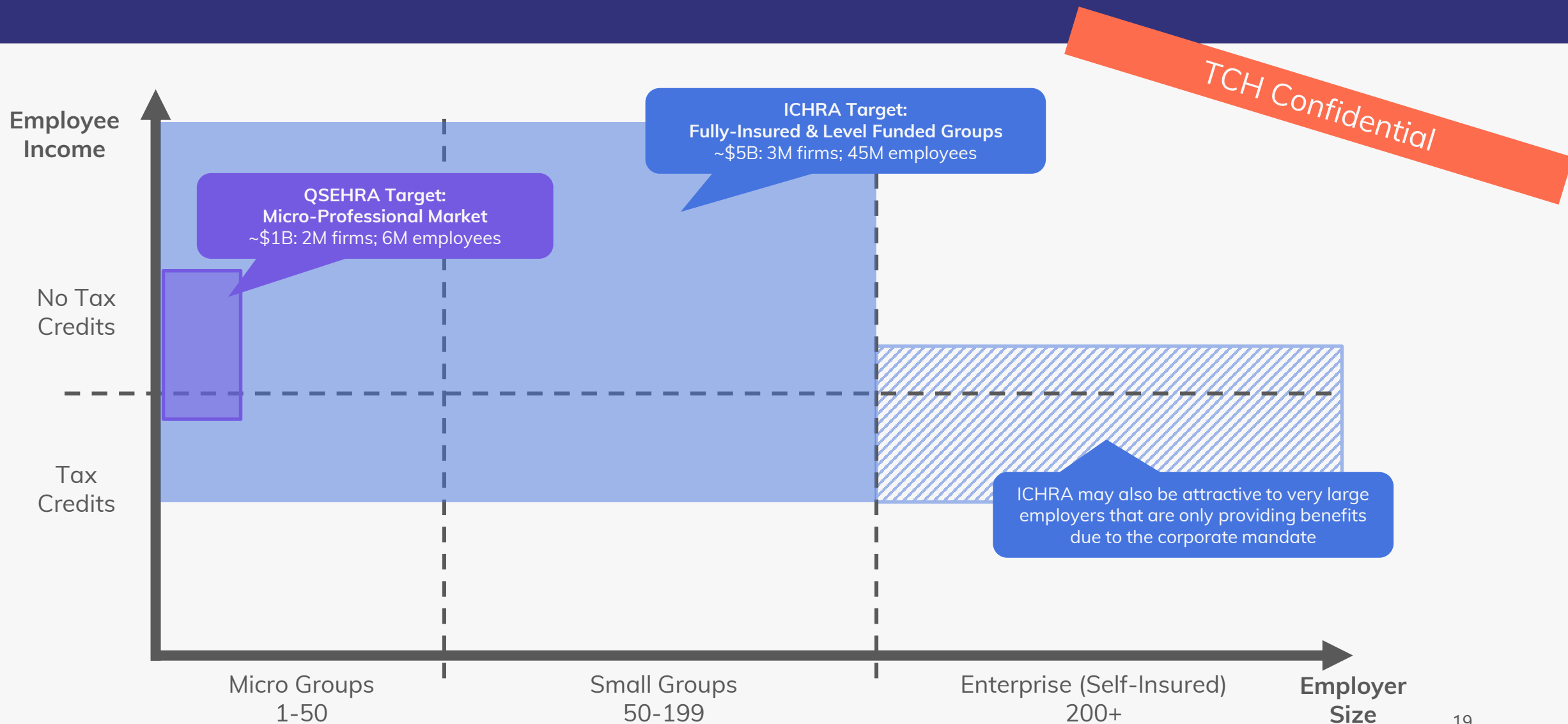
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- 1 Employer & broker awareness
- 2 Individual market "good enough"
- 3 Easy implementation and administration
- 4 Broker compensation on par with group plans

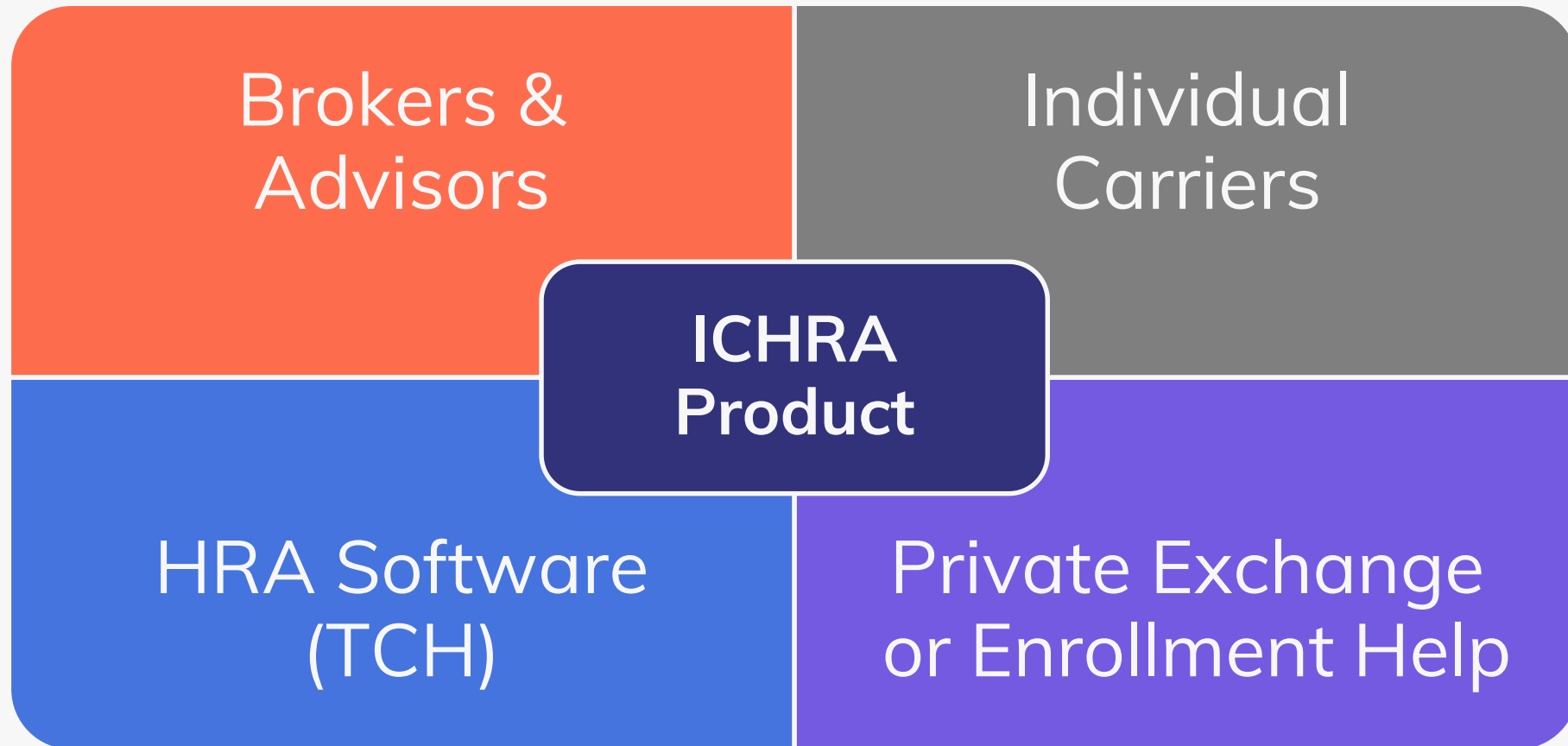


Opportunity: The “individualization” of the group market could go much further than most predict



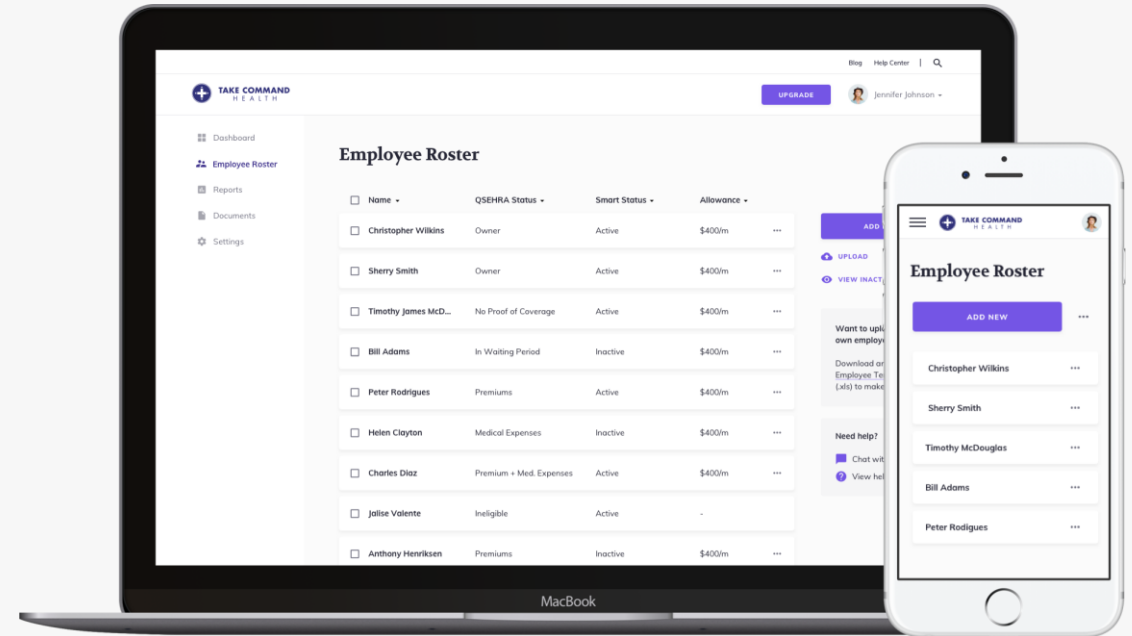


Creating a **compelling** ICHRA solution for employers will take putting together a few different pieces





What we do: Our HRA software makes ICHRA & QSEHRA ridiculously easy for employers to setup and manage





What we do: Our private exchange allows us to help employees shop for individual insurance and have a great experience

We'll help employees:



Discover great options

- ✓ "Off-Exchange" Plans Curated specifically for ICHRA
- ✓ Marketplace Plans



Optimize for their ICHRA

- ✓ Compare tax credits to ICHRA
- ✓ Secure tax credits (if available and advisable)



Find the coverage they want

- ✓ Search for Doctors
- ✓ Find Prescriptions



Enroll Online

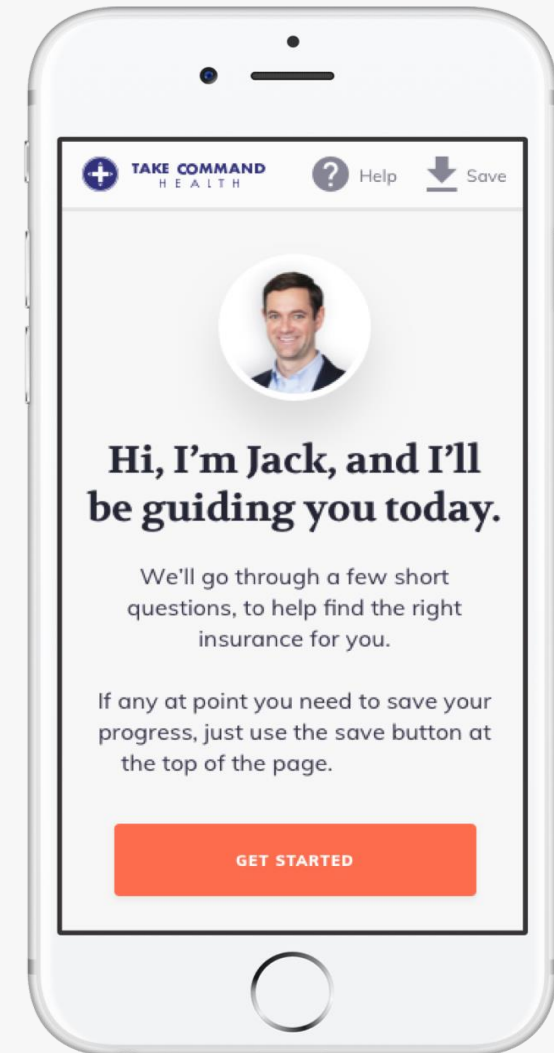


Humana

oscar

ambetter

aetna



4 Discussion: Collaboration Opportunities

How do you view ICHRA in your market?



How we can work together:

Help us train your brokers to
identify ICHRA prospects

We'll be your HRA
“back office”

(questions, proposals, onboarding, admin, etc)





A few questions for you!

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- 1 How are you viewing ICHRA?**
 - Threat or opportunity?
 - Act now or wait-and-see?
- 2 How do you see ICHRA evolving in your local markets (if at all)?**
- 3 How do we help individual-focused brokers to realize the ICHRA opportunity?**
- 4 What would be a compelling economic model?**
 - For your brokers?
 - For you?
- 5 We're looking for a few pilot partners to figure out the model:**
 - Would you be interested?
 - Know someone else who is?

Thanks!

Contact: Jack@TakeCommandHealth.com

More Information at www.TakeCommandHealth.com

Appendix

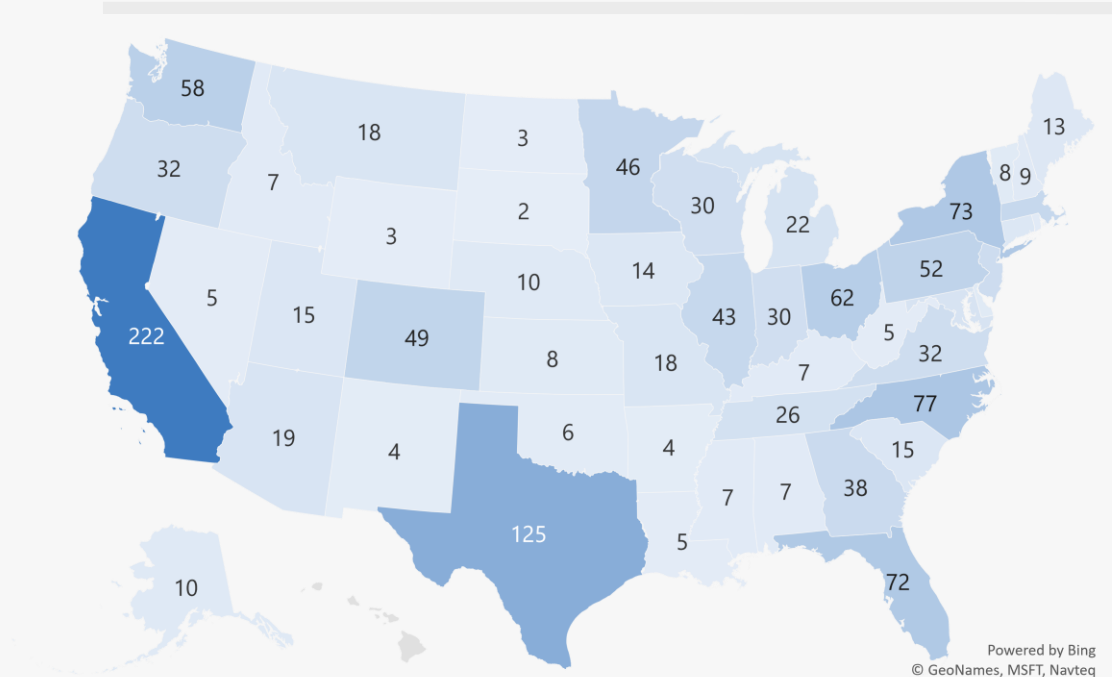
Notes if we need them



ICHRA is taking root in strong individual markets

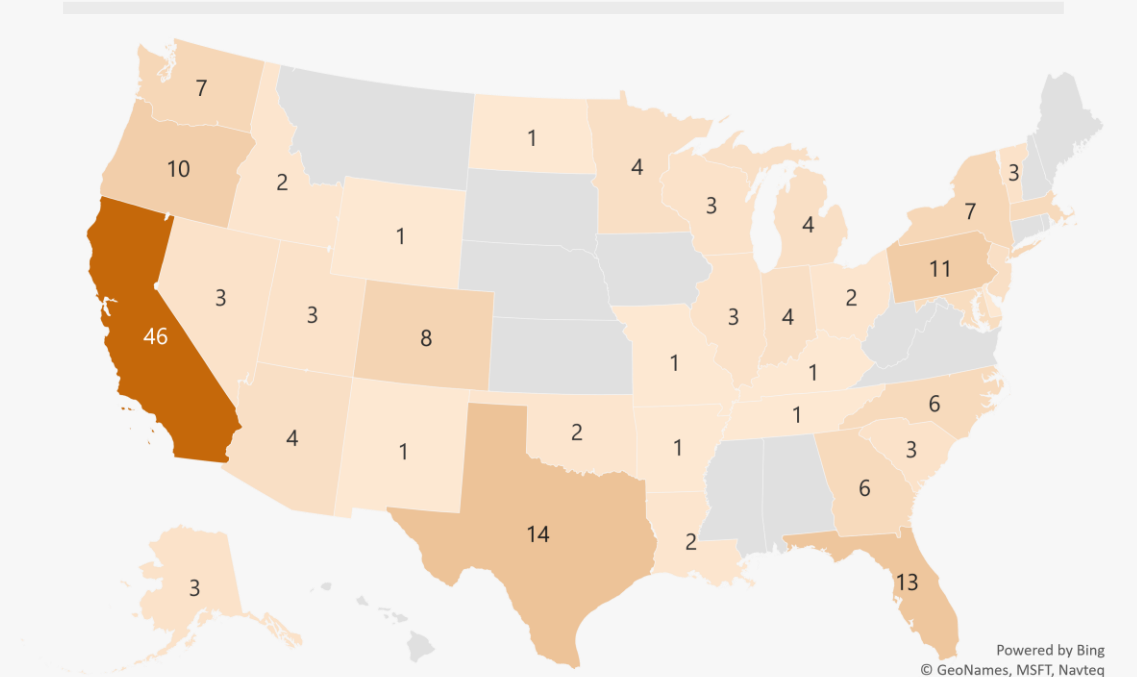
Active employers by state as of 2/1/20

QSEHRA



QSEHRA will remain viable nationwide since it can reimburse spouse plans and alternative plans

ICHRA



In general, ICHRA is growing in states with strong individual markets (Notable exceptions: MN, OH)



ICHRA Candidates: Part-Time Paul

Examples



Description and Solution

Description:

- Paul has 30 employees:
 - 10 full-time
 - 20 part-time/seasonal
- He desperately needs a benefit solution to retain his full-time staff, but can't afford to cover his part-time staff

Benefit Solution:

- Full-Time: ICHRA (\$500/mo)
- Part-Time/Seasonal: Exclude (class out)

Note: Paul gets to set the hourly threshold for participation in the ICHRA plan. He could also offer an ICHRA at a lower rate (ie, \$200/mo) to part-time employees



ICHRA Candidate: Staffing Sally

Examples



Description and Solution

Description:

- Sally runs a professional staffing firm
- She's been growing but recently hit 50 employees and is now subject to the employer mandate
- She's been trying to figure out benefits but it's been a nightmare! Her employees and their expectations for benefits are really different at each different client site, plus she has her own staff to take care of!

Benefit Solution:

- Permanent Employees: Group plan or ICHRA
- Employees at client sites: ICHRA (varying terms by client site)

Note: Sally can offer different ICHRAs to employees at each client site and choose between an ICHRA and group plan for her own permanent staff.



ICHRA Candidate: Remote Ralph

Examples



Description and Solution

Description:

- Ralph has a small office in Florida and a large remote team scattered across the country
- He's been offering a group plan (PPO) but the costs are getting expensive and employees are complaining about higher and higher deductibles
- He's tired of trying to choose a plan that works for everyone!

Benefit Solution:

- Florida Office: Group plan (or ICHRA)
- Remote: ICHRA and let employees choose their own local plans that work best for them

Note: Ralph could choose a group plan or ICHRA for his office staff in Florida. He could give all remote workers the same ICHRA or vary it by state



ICHRA Candidate: I Love My Group Plan Lucy

Examples



Description and Solution

Description:

- Lucy loves her group plan but is struggling to maintain participation
- She's noticing that younger employees are not participating because it's too expensive
- She and a few of her long-time colleagues are getting close to Medicare age and aren't sure what they are going to do

Benefit Solution:

- Current Employees: Keep group plan (or ICHRA + Medicare)
- New Employees: Offer an ICHRA to all new employees, allowing them to choose cheaper HMO plans

Note: Lucy could also use other classes to segment-out groups of employees that want to stay on the group plan and offer ICHRA to others



QSEHRA Candidates: “Micro Professional” Frank

Examples



Description and Solution

Description:

- Frank has a small business with 5 employees
- He needs to offer benefits to recruit and retain
- Many of his employees have access to great plans through their spouses; Frank worries about participation and if he's really helping his employees by offering a plan or not

Benefit Solution:

- QSEHRA: Frank can offer \$400/mo through a QSEHRA. Employees that need a plan can buy one. Employees that have a great plan through their spouse can use it for that or save for medical expenses.

Note: Frank can vary amounts by age and family size, but he can't use the ICHRA classes (not compatible with QSEHRA)