



Your
A to Zorro
Guide to All
Things ICHRA



Contents.

2

Introduction

3

What is ICHRA?

4

Is ICHRA Right for You?

5

How ICHRA Works

11

Identifying the Right ICHRA Partner

12

What About?
(Your Pressing Questions and
Misconceptions Addressed)



Introduction

It's a scenario we're all too accustomed to: anxiously awaiting annual premium hikes (aka. renewals) while figuring out how to support a diverse and often disparate workforce with a one-size-fits-few health plan.

Enter the Individual Coverage Health Reimbursement Arrangement (ICHRA). ICHRA was born under the recognition that employers and their teams deserve more when it comes to their healthcare benefits. More control, more choice, and more peace of mind. So whether you're a benefits broker looking to usher your clients into a more modern and affordable benefits offering, or an employer looking to give your workforce expanded choice while reigning in budget, we hope this guide sheds light on how ICHRA can deliver.



Guy Ezekiel

CEO & Co-Founder

For countless workers across the country, the burden of healthcare costs has become overwhelming. At Zorro, we're here to change that. With our cutting-edge platform and innovative features, we're revolutionizing the way people plan for, pay for, save for, and experience health insurance and services. As you explore ICHRA to deliver greater personalization and budget control, Zorro is committed to being a trusted partner, delivering the benefits people want at a price they can afford.

Guy Ezekiel

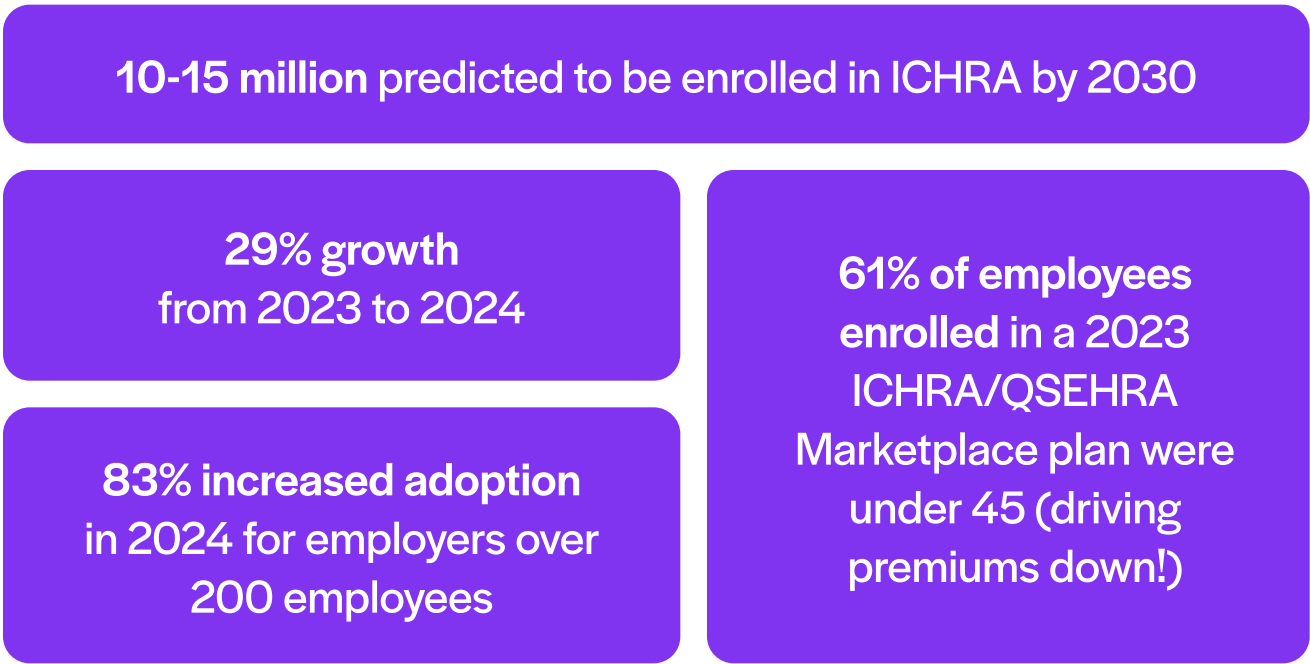


What is ICHRA?

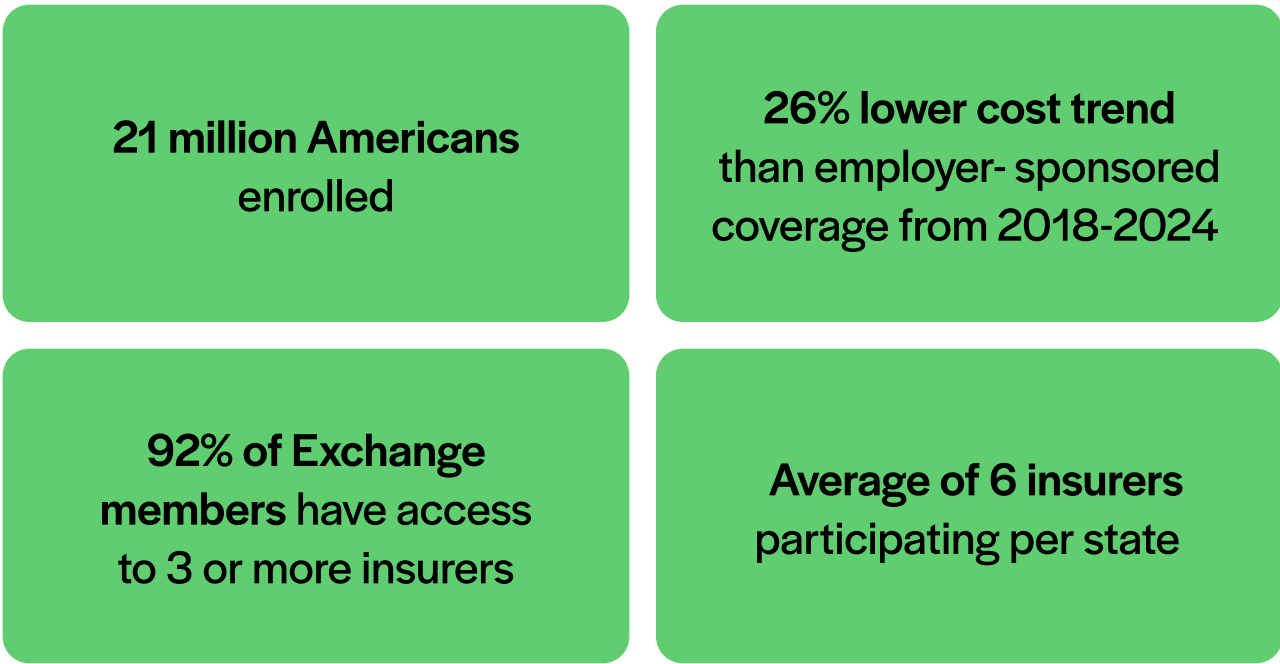
ICHRA is more than an acronym.

Introduced in 2019 and implemented in 2020, ICHRA is a new type of health reimbursement arrangement (HRA) where employers give their employees money to buy their own health insurance plans. Employees can then shop for ACA qualified coverage on or off the Individual Marketplace, also known as the “Exchange”, and choose the plan that best suits their unique needs. Just like with a group plan, the dollars are tax-free for both sides and fulfill the ACA employer mandate for employers over 50 lives. But unlike traditional plans, ICHRAs expand control for the employer while giving employees more autonomy over plan selection and spend.

ICHRA by the numbers:



Evolving ACA marketplace:



What differentiates ICHRA from a group plan?

	ICHRA	Traditional Group Plan
Participation requirement	None	60% or more
Tax benefits	Pre-tax	Pre-tax
Choice	Employee selects plan	Employer selects plan
Average # of plan options	50-100	1-3
Budget	Determined by the employer	Subject to annual increases and/or high claims
Ownership	Owned by employee (fully portable)	Owned by employer (coverage ends when employee terms)
Risk pool	All Exchange participants	Employees and their families
Classing options	11	N/A

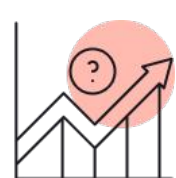


Is ICHRA Right For You?

Evaluating ICHRA for your company.

As the ICHRA landscape continues to grow (29% in 2024 alone!), and carriers continue to build offerings dedicated to supporting group-like plans, more companies are being set up for success leveraging the ICHRA chassis.

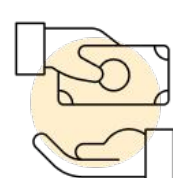
In particular, we've seen the largest savings for companies with:



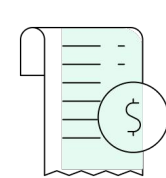
High
renewals



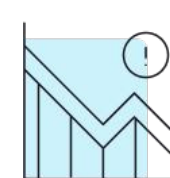
Multiple
geographies



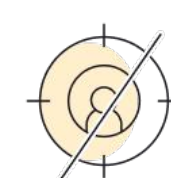
Cost-
sensitive
employees



Mix of
salary/hourly
workers



Risk
fatigue



High
employee
turnover

What's All the Hype About?

Employers are drawn to ICHRA

Cost control

With ICHRA, employers can take back control over their budgets, determining how much to give each employee annually. And beyond the control, employers tend to enjoy significant savings from ICHRA, typically 20% or more.

Flexibility

Whether aiming to increase (or decrease) enrollment, maintain costs, expand choice, or all of the above, ICHRA gives employers significant flexibility. They can choose their reimbursement amount, to whom they provide an ICHRA, and how much to offer based on 11 different classes.

Recruitment/retention

Aside from the advantages that come with owning your own benefits budget and selection, offering an ICHRA to different classes of employees (like part-time) can give employers a competitive advantage when attracting and retaining a dedicated workforce.

Employees are drawn to ICHRA

Personalization

People are used to making their own choices when it comes to their personal health and wealth, so why should benefits be any different? ICHRA puts the employee back in control of their healthcare needs to choose not only their preferred insurance provider but also the appropriate level of coverage for them and their family.

Tax benefits

While you could always give people money to pay for their health insurance, the ICHRA rules mean it no longer comes through as income, making it tax free.

Portability

While traditional group plans are owned by the employer, ICHRAs are owned by the individual. This means that when an employee leaves, he or she can enjoy continuous coverage.



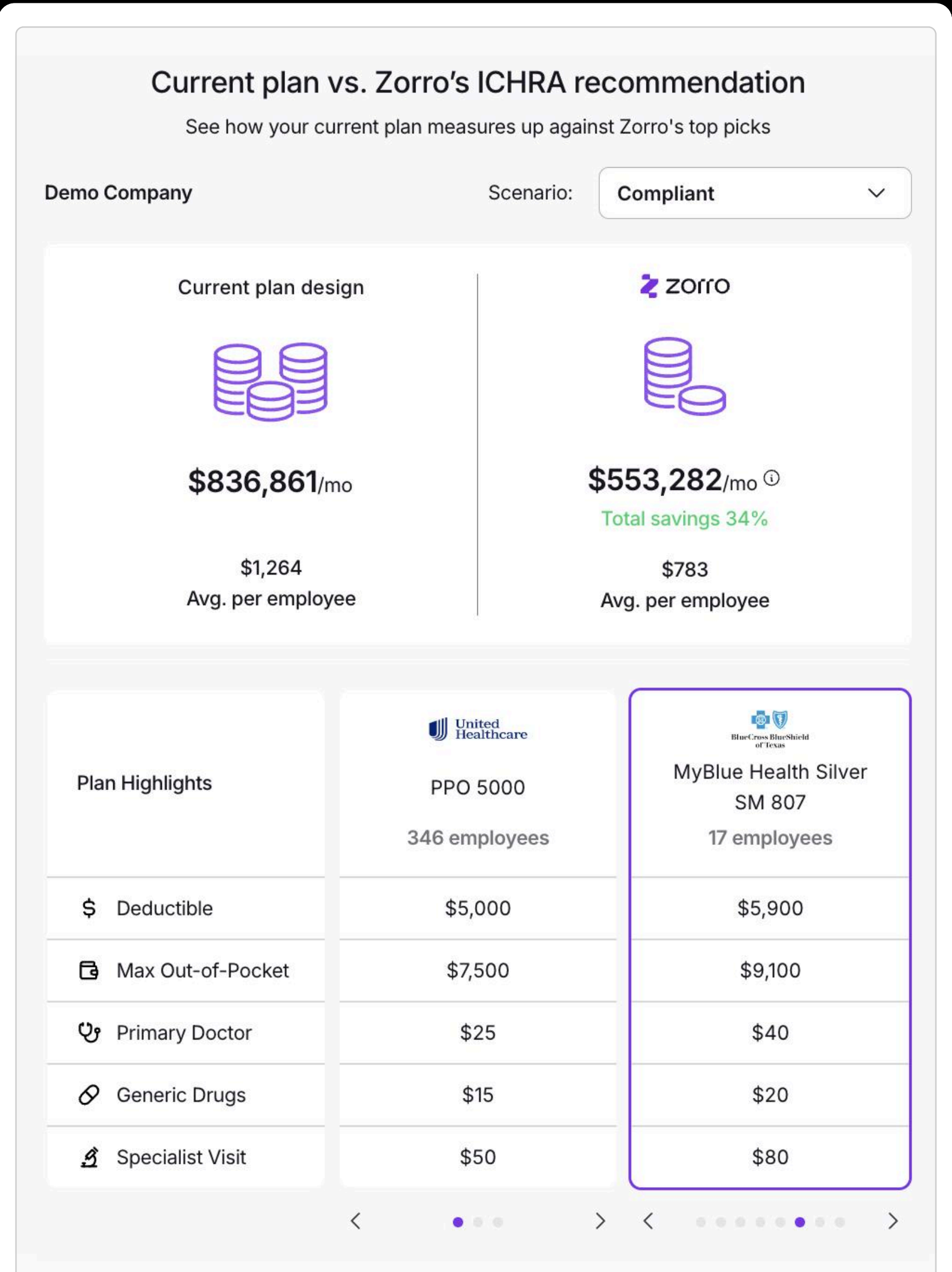
How ICHRA Works

Step 1: Identify core objectives and how ICHRA supports them.

The first step in your journey is to run the numbers to see what ICHRA can do for your business. This is typically done using an employee census with basic details (employee dates of birth and zip codes) as well as your goals (like top-line budget).

The Zorro Difference

Zorro’s proprietary quoting tool ingests key details about your company and instantly delivers a detailed comparison of your current plan verse a proposed ICHRA. Whether you wish to provide comparable coverage, increase to a higher tier plan, or simply remain compliant, you can quickly toggle to evaluate savings and determine fit.



How ICHRA Works

Step 2: Determine how to allocate funds (aka. Your allowance model).

This is where heavy broker involvement or an ICHRA provider with sophisticated modeling (or both!) can make all the difference. Essentially, you are deciding how to allocate funds across your employees (see call-out box).

One of the many benefits of ICHRA is the flexibility of plan design. For example, companies that traditionally could not afford to give health benefits to hourly workers can now offer a stipend (albeit, likely smaller than the full-time employee stipend) to help with recruitment and retention. Or, if one State has less expensive health insurance than another, an employer can allocate funds that deliver comparable affordability across all employees regardless of where they live. By aligning your ICHRA strategy to company goals, you can build a plan that works best for you and your team.

There is no maximum allowance for employees, but if you wish to avoid penalties, there is a minimum allowance. We say “if” because some employers use the offer of advanced premium tax credits as a strategy, which can be done with ICHRA. That said, to avoid penalties, allowances must meet affordability criteria, which for ICHRA is based on the Low Cost Silver plan in an employee’s home rating area. This is the same requirement as in group plans where the employee contribution to the overall premium cannot exceed certain limits.

ICRHA Classes

ICHRA offers 11 classes, allowing employers to allocate different levels of benefits to employees based on legitimate job-based criteria. This hallmark characteristic gives companies added flexibility over their plans and budget.

- Full-time employees
- Part-time employees
- Seasonal employees
- Employees covered by a collective bargaining agreement
- Employees who have not satisfied a waiting period for coverage
- Non-resident aliens with no US-based income
- Employees whose primary site of employment is in the same rating area
- Salaried employees
- Non-salaried employees
- Temporary employees of a staffing firm
- A combination of two or more of the approved classes

The Zorro Difference

At Zorro, we leverage a smart, AI-driven companion to help you optimize your benefits. You tell us your priorities, and our data analytics team will figure out the best model for you. For example, you can:

- Decide on a top-line budget and have us optimize this budget across all employees
- Set a contribution level similar to a traditional group plan employer contribution
- Share with us any other objective or constraint and have us build a custom allowance model for you

How ICHRA Works

Step 3: Communicate to your employees.

Change is easy, said no one ever. But the key to successful change management is communication. Offering an ICHRA triggers a Special Enrollment Period for your employees, so you can switch to an ICHRA and begin communicating at any time. Just note that ICHRA rules say you should provide 90 days' notice, allowing time to educate your employees on any changes ahead.

Many providers have messaging built out to ensure your employees understand their new benefits structure. However, there is also a legal component to this communication stating that it must include:

- Reimbursement amounts
- Instructions for how to select coverage
- Your ICHRA start date and enrollment deadlines

And because not everyone (read: almost no one) is an expert on health insurance, it is also important to support employees with ongoing education to maintain comfort with the plan and how ICHRA operates. The right partner will make this feel seamless.

The Zorro Difference

At Zorro, we automatically generate all communications directly from our platform. This ensures employees stay well informed and receive appropriate information depending on their enrollment, engagement, and stipend.





How ICHRA Works


Step 4: Give employees the tools to support smart plan selection.


We already know your employees have diverse needs, and plan selection is the time when they can voice those needs and select what works best for them. Finally, we can put employees back in the driver’s seat when it comes to one of their most expensive and important investments. And they’re ready for it! According to the 2022 and 2023 McKinsey Consumer Health Insights Surveys, consumers are already doing their research when it comes to healthcare preferences. In fact, 44 percent of healthcare buyers research providers before scheduling an appointment and 45 percent report looking into in-network costs and providers before selecting a plan. Once it’s time for the actual plan enrollment, it’s important to know that every state has its own way of doing things. Some are incredibly efficient so the entire process can be handled by your ICHRA administrator. Others will require some involvement from your employees. Either way, all of this will be covered during the onboarding experience.

The Zorro Difference

Plan selection is one of the many ways in which ICHRA providers work a bit differently, with some offering more assistance than others. At Zorro, we’ve built a robust recommendation engine that ingests an employee’s personal information (doctors they refuse to leave, medication they require, family member preferences, budget, etc.) and suggests plans that best meet their preferences. We provide access to dedicated customer support specialists to help answer any questions and ensure a smooth enrollment.

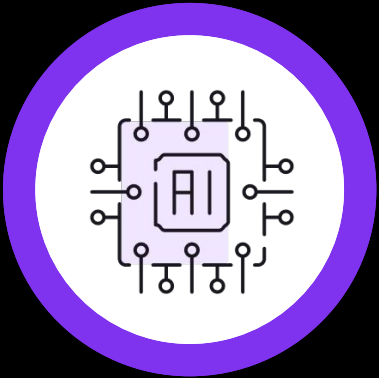
My doctors & my medications

 **My Doctors**

 **My Medications**


What would you like to include in your plan?


- ☐ Minimizing my “all-in costs” on a typical year
- ☐ Reducing the risk of large, unexpected expenses
- ☒ Keeping my doctors
- ☒ Having my regular medications covered
- ☒ Seeing specialists without referrals on a typical year



Medical plan selection


The Demo Company is contributing \$405 per month towards your medical plan

 Best match ⓘ

 All-in-cost ⓘ

All plans

40 plans available Sort by Best match ▾

 **Bronze 4:** Aetna network of doctors & hospitals + \$0 MinuteClinic + \$0 CVS Health Virtual Care 24/7

Expanded Bronze | HMO ⓘ

Monthly Premium			
You	+	Employer	= Total
\$402.4		\$405	\$807.4

Plan Information

Deductible	Max-out-of-pocket	All-In-Cost	× Not HSA eligible
\$0	\$18,800	\$\$\$\$	Referral-free
Family total	Family total		

[Summary of benefits](#) [Print plan details](#) ID: 848670H0100002

Providers and Drugs 2/2 included

- Kelly Joyce, South Euclid, OH
- 3 MI Ozempic 1.34 Mg/ml Pen Injector



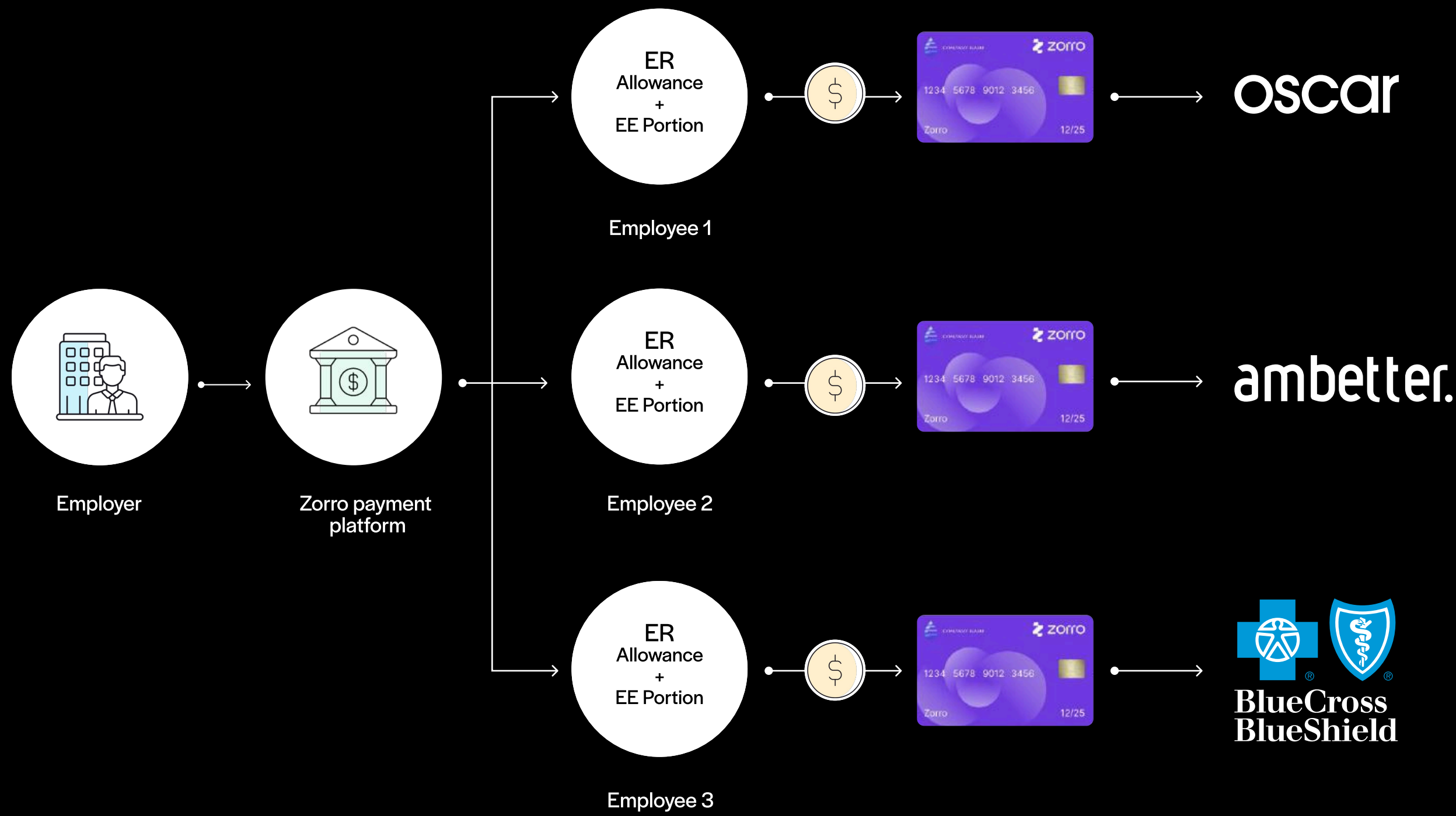
How ICHRA Works

Step 5: Set up payment processing

The traditional HRA was defined by a reimbursement structure where employees submitted healthcare expenses for approval and were then reimbursed by their employer. However, many modern ICHRA providers have simplified the process to eliminate potential employee burden. Instead, they allow employee contributions to be payroll deducted and deposited into the company account. They then withdraw the full monthly premium for all employees directly from the employer (yes, this should sound familiar, as it’s intentionally similar to how group plans operate). Finally, the ICHRA provider will pay the individual insurance carriers on behalf of each employee enrolled in coverage.

The Zorro Difference

Zorro Pay mimics the group experience through a seamless payroll deduction and carrier payment process.





How ICHRA Works

Step 6: Administer your plan.

By this point, your employees are set up with their new plans and you’ve officially made the switch to using an ICHRA (insert sigh of relief).

But as with any health plan, you’ll still want to ensure things are working as expected. The right provider should deliver robust reporting and full insight into how your plan is operating. You’ll want to see accurate data on everything related to employee enrollment and payments, as well as any pertinent information to assist with annual filings. Mostly, you’ll want to feel in control of supporting your employee benefits without having to devote hours you likely don’t have to navigating complex claims data, unexpected bills, and erroneous information.

The Zorro Difference

Zorro delivers full transparency into what’s happening with your plan including:

- Enrollment (who’s in, who’s not)
- Deductions (confirmation everyone is getting paid as planned)
- Compliance (providing all the materials for ACA filings)
- New employee onboarding (ICHRA for everyone!)

DEMO Demo Company

Overview

Employees

Zorro Pay

Reimbursements

Reports

Documents

Employees

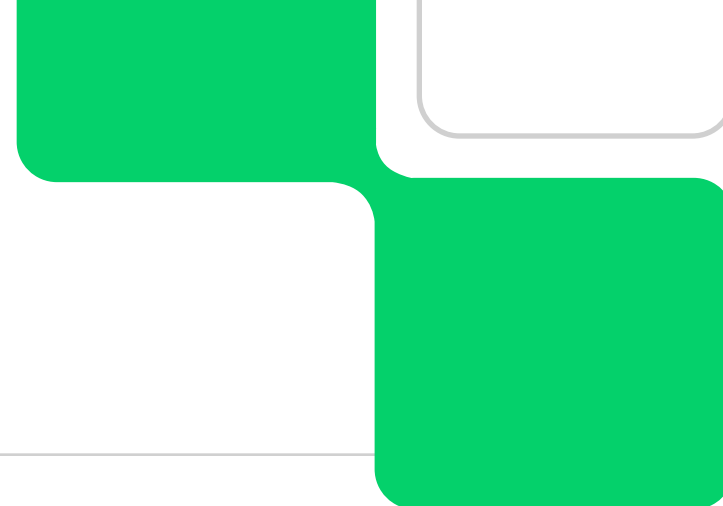
2024

Latest coverageEnrollments in processAll

Filters

Actions

	Full Name	Email	Age	Eligibility status	Coverage status	Coverage start	Coverage en
<input type="checkbox"/>	John Black	john.b@bluehorizon.com	29	Ineligible - terminated	Ended	1/1/2024	4/30/2024
<input type="checkbox"/>	Amanda Smith	amanda.s@bluehorizon.com	32	Eligible - employed	Active	1/1/2024	12/31/2024
<input type="checkbox"/>	Sarah Lee	sarah.l@bluehorizon.com	32	Eligible - employed	Active	1/1/2024	12/31/2024
<input type="checkbox"/>	Emily Johnson	emily.j@bluehorizon.com	32	Eligible - employed	Active	3/1/2024	12/31/2024
<input type="checkbox"/>	Amber Levy	amanda.s@bluehorizon.com	33	Eligible - employed	Waive	1/1/2024	12/31/2024
<input type="checkbox"/>	Michael Smith	michael.@bluehorizon.com	35	Ineligible - terminated	Ended	1/1/2024	3/31/2024
<input type="checkbox"/>	James White	amanda.s@bluehorizon.com	42	Eligible - employed	Active	1/1/2024	12/31/2024
<input type="checkbox"/>	Michael Darwin	sarah.l@bluehorizon.com	42	Eligible - employed	Active	1/1/2024	12/31/2024
<input type="checkbox"/>	Emily Charles	emily.j@bluehorizon.com	43	Eligible - employed	Active	3/1/2024	12/31/2024



Identifying the Right ICHRA Provider

We have the how, what about the who?

OK, fine, we're biased. We live and breathe ICHRA here at Zorro and have an opinion or two on what makes a good partner. However, we very much invite you to see for yourself. If you're curious about our thoughts on selecting the right ICHRA provider, here are the defining features we wouldn't live without.



Clear onboarding process

You deserve a friction-free migration from a group plan to ICHRA. An ideal provider will help you set objectives, outline your budget and allowance models, auto-generate your plan documents, assist with communication, and more.



Simplified payments

While the "R" in ICHRA stands for reimbursement, not every employee will have the comfort – or financial means – to lay out payments and wait for repayment. For employers who want a more "group-like" experience, find a partner who offers a payroll-deducted payment solution so that employee contributions come straight out of their paychecks and employer contributions get charged in one monthly sum.



Data-driven decision support

A robust recommendation engine is a must because your employees shouldn't have to become insurance experts to pick a plan. Make sure they have the guidance they need.



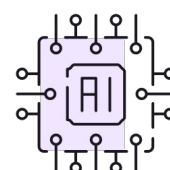
Seamless administration

Many employers voice questions about ongoing ICHRA administration, but with the right user-friendly platform, you can stay in the driver's seat on everything from enrollments to employee hires and terminations to monitoring payroll deductions and more. Additionally, transparent reporting should offer full insight into what's going on with your plan.



High-touch customer service

Dedicated customer support is imperative so that you and your employees always have a real-life human (imagine that!) to contact at any time. While challenges with using the insurance itself should be directed to the carrier, there will inevitably be questions around enrollment, ongoing administration, compliance, and more, and you'll want a trusted resource for navigating anything that comes your way.



Compliance expertise

It's critical to have guidance to ensure your ICHRA design is compliant with federal regulations. More specifically, make sure you'll have access to the data necessary for 1094 and 1095 ACA reporting and PCORI filings.



What About...?

(All Your Questions and Misconceptions Addressed).

The rumor mill

As with anything new, it's difficult to grasp the full extent of opportunities and challenges without seeing it for yourself. Good news... we've been around the block! So here are some of the most common misconceptions we're accustomed to hearing, along with our thoughts.

Misconception	Facts
Healthcare is too complicated... employees won't be able to find a plan on their own.	People buy their own car, life, and home insurance because they know their unique needs best.
People will just buy cheap Bronze plans and have catastrophic coverage.	2023 employee plan choices included: Platinum - 4%, Gold - 33%, Silver - 28%, Bronze - 35%
I won't be able to recruit great talent if I offer an ICHRA plan.	ICHRA can actually be a recruiting tool! Employees are drawn to customization and portability. Plus, you can apply employer savings to other benefits (salary, supplemental, etc.)
There's no way my employees can pay their own premium and wait for me to reimburse them.	They no longer have to! Tech forward platforms like Zorro include payment solutions that eliminate the need for reimbursements.
ICHRA is only a good fit for small employers.	In 2024, there was an 83% uptick amongst employers with over 200 employees.
Exchange plans aren't as good as group plans.	These days, Exchange plans range from PPOs to HMOs to HDHPs and more, offering a range of coverage from Bronze to Platinum.
ICHRA is difficult.	This one's tricky since ICHRA can be hard. But with the right provider (read: Zorro!) admin can be streamlined and the savings well worth the learning curve.



Wait, I Still Have Questions...

Q: Can I combine ICHRA with a traditional group plan?

Yes and no. Employers can absolutely offer a traditional group plan to one class of employees and an ICHRA to another. However, each class can only have one offering, so employers cannot offer employees in the same class a choice between a group health plan or an ICHRA.

Q: Do I have to offer an ICHRA to all employees?

Employers can decide which employees are eligible for ICHRA by selecting specific classes of employees to offer it to. (See call-out on page 6). This can be used to reward some classes more generously, even the playing field across geographies, boost recruitment of part-timers, etc.

Q: Isn't it unfair if I give more money to some employees based on their state, age, or otherwise?

Actually, quite the opposite! Because ICHRA plans are priced differently in each state, for each age band, etc. the idea is to give equal buying power to each employee.

Q: My company is committed to diversity, equity, inclusion, and belonging - how does ICHRA help support that commitment?

Healthcare inequities have been widely chronicled, with 60% of African American adults and 65% of Hispanic adults struggling to afford healthcare costs compared to 39% of White adults. ICHRA gives employees control over spend so they can seek out coverage they can actually afford.

Q: Can I choose which individual policies to offer my employees? (And beyond that, can my ICHRA provider encourage certain plans over others?)

For both of those questions, the answer is a resounding no. As part of the ICHRA ruling, no one is allowed to influence which health insurance an employee chooses. Recommendation engines are allowed to provide guidance, but they must be neutral in intent.

Q: This guide was helpful...but now what?

Well, that's a question for you! We truly believe ICHRA is the future of employee benefits and we're not alone. Carriers are building out ICHRA-specific plans to support group Exchange offerings, brokers are busy exploring the right partners to help support their clients, and investors are pouring money into new and innovative ICHRA providers. So if you're like the thousands of other companies sick of being at the mercy of open enrollment, we encourage you to explore ICHRA further.

Have additional questions?

Contact sales@myzorro.co and we'd be happy to dig into what ICHRA can mean for you!



Thank You

sales@myzorro.co

