

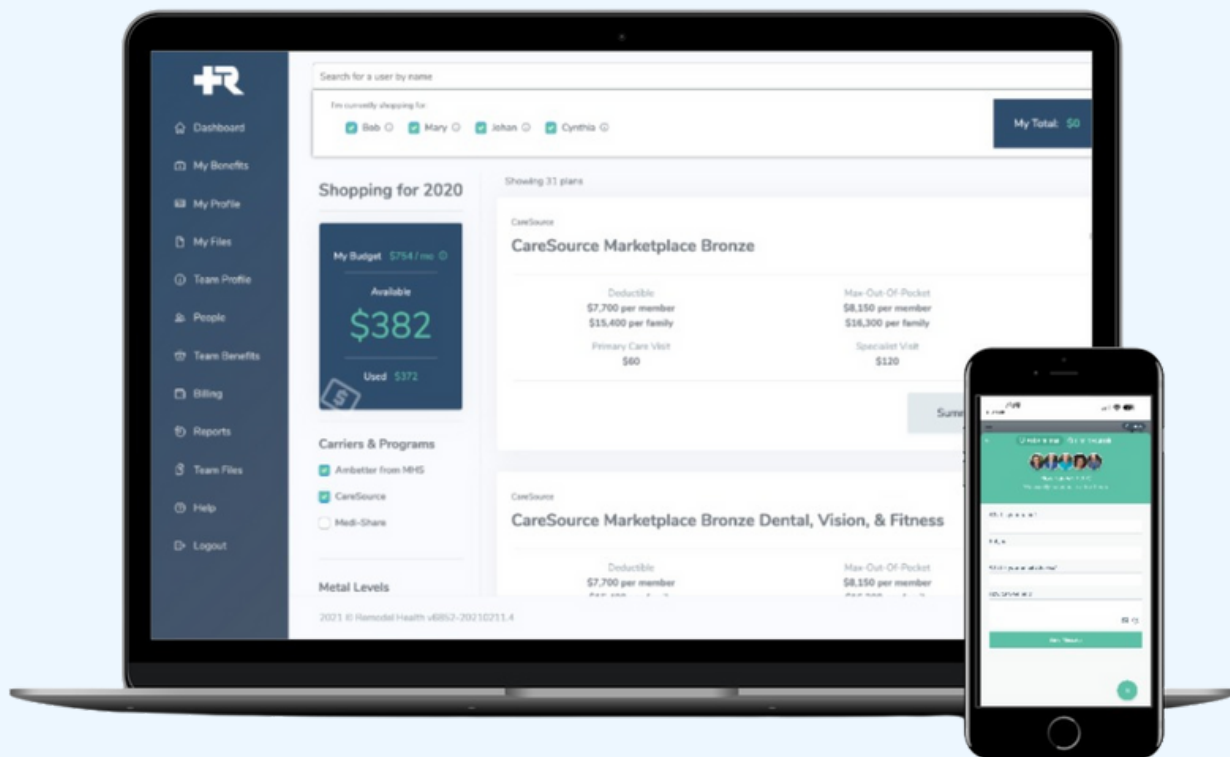
YOUR GUIDE TO

# ICHRA EMPLOYEE CLASSES

# SUMMARY

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This ebook focuses on Individual Coverage Health Reimbursement Arrangements (ICHRAs), which allow employers to reimburse employees tax-free for qualified medical expenses, increasing flexibility for both employers and employees. The guide explains the four-step process to determine eligibility for an ICHRA, emphasizing the importance of employee classification. It outlines 11 different employee classes that employers can use to categorize their workforce, such as full-time employees, part-time employees, and seasonal employees, among others. It also covers ICHRA rules, including the ability to further divide classes by age, and explains how employers can use these classes to customize benefits and manage costs effectively.



# INTRODUCTION

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Now more than ever, organizations of all sizes want simple and affordable health benefits for their employees—and Individual Coverage Health Reimbursement Arrangements (ICHRAs) are one way to achieve this. ICHRAs are flexible HRAs that kick the “all-or-nothing” insurance options straight to the curb. Their quality even sets them apart from and above other HRAs.

ICHRAs are simple and affordable, and determining eligibility for an ICHRA is a straightforward, four-step process. Employers can use ICHRAs in lieu of group health plans or in combination with them, provided two key criteria are met. The essential eligibility criteria are met if an employer wants to offer it, and the employees have individual health insurance.

## The Four-Step Process:

- 1 Employer Decision** – The employer must first decide to offer ICHRAs based on the company’s budget, administrative capacity, and the desire for flexibility in health benefits.
- 2 Employee Classification** – Next, the employer defines classes of employees to whom the ICHRA will be offered.
- 3 Proof of Individual Coverage** – Finally, for an employee to participate in an ICHRA, they must have individual health insurance coverage and be able to provide evidence.
- 4 Enrollment Period** – The employee must enroll in the ICHRA during the defined enrollment period, which typically coincides with the employer’s benefit year.

This guide is all about the second step: **employee classification**.



# BUT FIRST, LET'S RECAP

## What's an ICHRA?

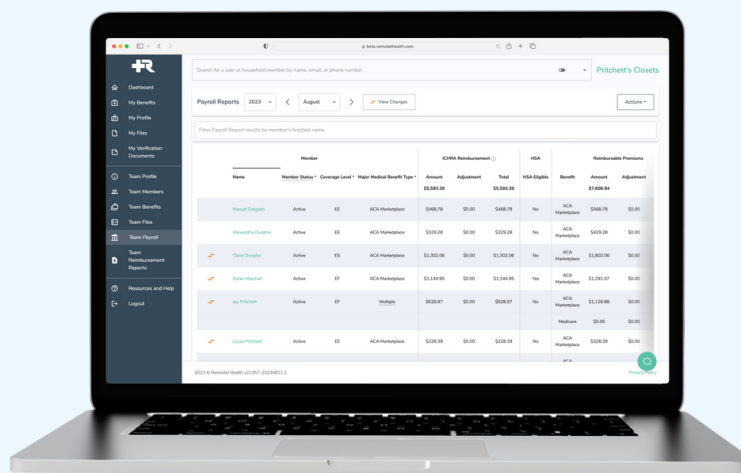
An Individual Coverage HRA, or an ICHRA, is an employer-funded Health Reimbursement Arrangement (HRA) that increases flexibility for both employers and employees to utilize the Individual Marketplace better and allows employers of any size or industry to reimburse employees tax-free for qualified medical expenses.

## Now, what are ICHRA classes?

ICHRA classes are one of the primary points of flexibility for ICHRAs. With these classes, employers have the freedom to create benefit solutions that fit the unique needs of their workforce, and they can even combine an ICHRA with a traditional group health plan. The only caveat is that employers cannot offer employees in the same class the choice between a traditional group health plan or ICHRA, and each class can only have one benefit offering.

## How do ICHRA classes work?

The ICHRA classes help employers prioritize their health benefits budget and separate employees into groups based on legitimate job-based criteria like hours worked or location.



# WHAT ARE THE ICHRA EMPLOYEE CLASSES?

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There are 11 ICHRA employee classes. These classes separate employees into groups by legitimate job-based criteria, such as location or hours worked. These 11 different classes are for employers to categorize their employees into groups, making it easier to customize benefits. The goal of these classes is to help businesses use their health benefits to attract and retain valuable employees in the most effective way possible.

## The 11 ICHRA Employee Classes:

- 1. Full-Time Employees**
- 2. Part-Time Employees**
- 3. Salaried Employees**
- 4. Hourly Employees**
- 5. Temporary Employees**
- 6. Seasonal Employees**
- 7. International Employees**
- 8. Employees Covered Under a Collective Bargaining Agreement**
- 9. Employees in a Waiting Period**
- 10. Employees in Different Locations**
- 11. A Combination of Two or More of the Above**



## DID YOU KNOW?

Classes can be awarded different levels of benefits, but ICHRA class rules ensure that the benefits are offered fairly to all employees.

# A DEEP DIVE INTO EACH ICHRA EMPLOYEE CLASS

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## 1. Full-Time Employees

A full-time employee averages at least 30 hours per week or 130 hours per month. However, the exact definition of what criteria determines a full-time employee is decided by the employer. For example, the employer could define this class as averaging 40 or more hours weekly.

## 2. Part-Time Employees

A part-time employee averages less than 30 hours of work per week. However, if the ICHRA is not intended to satisfy the employer mandate, anyone who works less than 40 hours per week can be included in this classification. The employer can choose whether to define a part-time employee as someone who works less than 30 or 40 hours per week.

## 3. Salaried Employees

A salaried employee receives a salary as wages. These employees are paid a predetermined amount per pay period and are ineligible for overtime pay.

## 4. Hourly Employees

An hourly employee does not receive a salary as wages. These employees are paid a predetermined hourly rate for the precise time they work each pay period. Additionally, these employees are eligible for overtime pay.



# A DEEP DIVE INTO EACH ICHRA EMPLOYEE CLASS

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## 5. Temporary Employees

A temporary employee is employed by a staffing firm and works for the company temporarily. These employees provide specific and temporary services for the company.

## 6. Seasonal Employees

A seasonal employee works for the company on a short-term or seasonal basis.

## 7. International Employees

International employees are foreign employees who work abroad (in countries other than the United States), including non-resident aliens with no US-based income.

## 8. Employees Covered Under a Collective Bargaining Agreement

Employees covered under a collective bargaining agreement (CBA) are protected by a written agreement between their company and their trade union on the conditions of employment, pay rate, work hours, and other working conditions.

# A DEEP DIVE INTO EACH ICHRA EMPLOYEE CLASS

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## 9. Employees in a Waiting Period

Employees in a waiting period are new employees who have not yet completed their company's waiting period for health and employer benefits. These waiting periods can be a maximum of 90 days and are up to the employer's discretion.

## 10. Employees in Different Locations

Employees in different locations work in different geographic locations and include anyone who is beyond the individual health coverage geographical rating area for the company. This employee class can be based on individual health insurance geographic rating areas, states, or multi-state regions. If the company is remote and without a physical address, the insurance geographic rating areas are determined by where most employees within the insurance company's plan network live at the beginning of the coverage period.

## 11. A Combination of Two or More of the Above

This is where you can mix and match and get creative. Employers can blend the classes listed above for this employee class and even create additional classes by combining two or more. For example, an employer may create a class of full-time employees and choose to alter allowance amounts based on employee location.

# ICHRA CLASS RULES: FURTHER DIVIDING BY AGE & DEPENDENTS

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Each class in an ICHRA can be further divided by age and number of dependents. Employers planning to offer a traditional group health plan to one class of employees and an ICHRA to another class must adhere to minimum class size requirements. These rules aim to prevent the individual market from being dominated by high-risk individuals.

**Minimum class size requirements generally apply to the following classes:**



SALARIED  
EMPLOYEES



NON-SALARIED  
EMPLOYEES



FULL-TIME  
EMPLOYEES



PART-TIME  
EMPLOYEES



EMPLOYEES IN THE SAME  
GEOGRAPHIC RATING AREA

These classes must also be in the same geographic rating area, which is smaller than the state level. The minimum number of employees to be included in a class depends on the size of the employer, based on the employee count on the first day of the plan year.

# SET UP AN ICHRA LIKE A PRO

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If you want to set up an ICHRA plan, it's essential to first understand each ICHRA employee's class and its meaning. When you leverage these classes, you ensure your plan helps take control of costs while simultaneously providing employees with a plan that meets their needs.

## REACH OUT TO LEARN MORE

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