

ICHRA Employee Classifications

The Individual Coverage Health Reimbursement Arrangement (ICHRA) allows employers to classify employees into various categories to determine their eligibility and benefit levels. Here is a description of the employee classifications allowed under ICHRA, along with relevant source links and examples.

(as of January 1, 2024)

Geographic Location (or Rating Area):

Description: employees living in certain states (or rating areas) can be “classed-out”.

Full-time employees:

Description: Full-time employees typically work a standard number of hours per week (usually 30 or more) and are eligible for the full ICHRA benefit provided by the employer.

Example: A manufacturing company considers employees who work 35 hours or more per week as full-time employees eligible for the complete ICHRA benefit package.

Source: IRS - Individual Coverage HRA: The Basics^[1]

Part-time employees:

Description: Part-time employees work fewer hours than full-time employees and may be eligible for a prorated ICHRA benefit based on their average hours worked compared to full-time employees.

Example: A retail store designates employees who work between 20 and 29 hours per week as part-time employees eligible for a proportional ICHRA benefit.

Source: IRS - Individual Coverage HRA: Frequently Asked Questions^[2]

Seasonal employees:

Description: Seasonal employees are hired for specific seasons or periods and may be eligible for ICHRA benefits during their employment. Example: A landscaping company employs seasonal workers during the summer months, and these employees are eligible for ICHRA benefits while actively employed.

Source: Department of Labor - Individual Coverage Health Reimbursement Arrangement (ICHRA) Fact Sheet^[3]

Temporary employees:

Description: Temporary employees are hired for a specific project or a limited duration and may be eligible for ICHRA benefits during their employment.

Example: A software development firm hires temporary programmers for a six-month project and provides ICHRA benefits to support their health coverage during that period.

Source: IRS - Individual Coverage HRA: Frequently Asked Questions^[2]

Salaried employees:

Description: Salaried employees receive a fixed salary as compensation and are typically eligible for the full ICHRA benefit based on their employment status and other criteria.

Example: A financial services company classifies its salaried employees as eligible for the complete ICHRA benefit, covering health insurance premiums and qualified medical expenses.

Source: SHRM - Individual Coverage HRA: An Alternative to Traditional Group Health Insurance^[4]

Hourly employees:

Description: Hourly employees are paid on an hourly basis and may be eligible for ICHRA benefits based on their average hours worked or other criteria established by the employer.

Example: A hospitality company provides ICHRA benefits to its hourly employees who work a minimum of 25 hours per week, helping them cover health insurance costs.

Source: IRS - Individual Coverage HRA: Frequently Asked Questions^[2]

Executives:

Description: Executives hold high-level managerial or executive roles within the organization and are generally eligible for the full ICHRA benefit.

Example: A multinational corporation extends the complete ICHRA benefit to its executive team, covering a wide range of healthcare expenses.

Source: IRS - Individual Coverage HRA: The Basics^[1]

Non-executive salaried employees:

Description: Non-executive salaried employees are salaried employees who do not hold executive positions and may be eligible for the full ICHRA benefit based on their employment status and other criteria.

Example: A technology company offers the complete ICHRA benefit to its non-executive salaried employees, ensuring comprehensive health coverage for their workforce.

Source: SHRM - Individual Coverage HRA: An Alternative to Traditional Group Health Insurance^[4]

Union employees:

Description: Union employees are members of a labor union and may be eligible for ICHRA benefits according to the terms negotiated between the employer and the union.

Example: A manufacturing plant provides ICHRA benefits to its unionized workforce based on the agreement reached in collective bargaining, ensuring healthcare coverage for union members.

Source: Department of Labor - Individual Coverage Health Reimbursement Arrangement (ICHRA) Fact Sheet^[3]

Non-union employees:

Description: Non-union employees are employees who are not part of a labor union and may be eligible for ICHRA benefits based on other classifications such as full-time or part-time status. Example: A retail chain extends ICHRA benefits to its non-union employees based on their employment status, providing support for health insurance costs.

Source: IRS - Individual Coverage HRA: Frequently Asked Questions^[2]

Retirees:

Description: Retirees are former employees who have retired from the organization. They may be eligible for ICHRA benefits, subject to the employer's policies.

Example: A healthcare provider offers ICHRA benefits to its retired employees, assisting them in covering health insurance premiums and medical expenses after retirement.

Source: IRS - Individual Coverage HRA: Frequently Asked Questions^[2]

FOOTNOTE: Please note that the examples provided are for illustrative purposes and the specific eligibility criteria, benefit amounts, and coverage details should be determined by the employer based on their policies and compliance with applicable regulations.

[^1^]: IRS. (n.d). Individual Coverage HRA: The Basics. Retrieved from

<https://www.irs.gov/affordable-care-act/individuals-and-families/individual-coverage-hra-the-basics>

[^2^]: IRS. (n.d). Individual Coverage HRA: Frequently Asked Questions. Retrieved from

<https://www.irs.gov/affordable-care-act/individuals-and-families/individual-coverage-hra-faqs>

[^3^]: Employee Benefits Security Administration. (2019). Individual Coverage Health Reimbursement Arrangement (ICHRA) Fact Sheet. Retrieved from

<https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/fact-sheets/individual-coverage-health-reimbursement-arrangement.pdf>

[^4^]: SHRM. (2020). Individual Coverage HRA: An Alternative to Traditional Group Health Insurance. Retrieved from

<https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/how-to-implement-an-individual-coverage-hra.aspx>