

ICHRA Annual Report

10 takeaways for the
individual coverage HRA.



When the individual coverage HRA first became available in early 2020, no one could have predicted the global pandemic and economic fallout that so quickly changed the world as we know it.

As business owners navigate the aftershocks of the COVID-19 pandemic, many are rebuilding with a brand new mindset. Business plans have shifted. Strategies have been recalibrated. Best practices have been turned upside down. They're looking to work smarter and more efficiently. Their benefits solutions are no exception. After all, they're employing a whole new type of workforce.

It's not a big leap to say that the current model of employer-sponsored health insurance is broken. That's where the individual coverage HRA (ICHRA) comes in.

The purpose of this report is to spotlight the problem with the status quo, to underscore the potential of ICHRA, and to demonstrate its benefits with facts.

Data from January 2020 through Summer 2021.

The bipartisan and tri-department benefits model has the potential to reshape the way we talk about group benefits—and a year and a half in to its existence, it's growing at warp speed.

ICHRA (pronounced Ik-Ruh): a tax-advantaged benefits solution that represents a fundamentally new way of doing benefits, allowing employers of any size to reimburse employees for health insurance rather than buying it for them.



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In this report, we will cover:

Forces shaping today's benefits

Fresh data for ICHRA

10 takeaways we want you to remember

What's shaping today's employee benefits conversation?

Before we jump into the solution, let's talk about the problem.

Business as usual isn't business as usual anymore.

In fact, it's a lot more expensive. Employer health costs for 2022 are expected to increase 6.5%, according to a study by PriceWaterhouseCoopers. As the pandemic continues to play out, carriers expect increased utilization and increased healthcare spending. The halt on elective surgeries has lifted and now everyone is playing catch up. Treatment for COVID-19 has burdened the health system, as well as the related mental health care that's spiked in the last year and a half. All of this contributes to premium hikes but even without a pandemic, group rates have been rising year over year.

This upward trend is nothing new; KFF reports that the average premium for employer-sponsored family health coverage increased 22 percent over the last five years and 54 percent over the last ten years.

A recent survey of CEOs by PBGH and Kaiser Family Foundation bore that out. Almost 9 in 10 said the current system will be unsustainable for them within the coming 5 to 10 years. A NFIB survey found that the cost of healthcare was small business owners' most severe problem—those survey results have not changed since 2012. Not only are business owners weary of spending more and more on rising health insurance premiums, employees are burdened with increasingly unaffordable out-of-pocket expense requirements from insurers.

Why employer-sponsored health insurance continues to fall short.

While group plans used to be touted as the gold standard for health insurance, this simply isn't the case anymore for a number of reasons. For starters, only 54% of employers actually offer benefits, and that number is decreasing. But group plans fall short in other ways.

For example, employee shares of premium payments taken out of their own paychecks continue to increase year over year as companies grapple with their budgets. The Employer Health Benefits 2019 Summary of Findings reported that 31% of covered small business employees had their employer pay their entire premium while 35% were enrolled in a plan where more than half of the premium for family coverage came out of their paychecks.

Not only are they an expense saddled on the employees, those paying a lion-share of their own premiums are given very little choice in the matter. 74% of the time, employees are limited to one plan choice within their group plan. Most of the time, when you're footing the bill, you get to choose what to buy.

Insurance tied to your job isn't going to cut it in today's world.

If workers change or lose their jobs, they're left scrambling to find coverage, settling for pricey COBRA, or having to switch from plans that include the doctors they trust. This is hardly the consumer-friendly solution we all hope for, and it's never been called out so clearly as it has in the past year.

The individual health insurance market is thriving

The health of the individual health insurance market is a cornerstone of the ICHRA model and an integral part of fixing our cost-burdened healthcare system. Employees offered an ICHRA need an abundance of quality, affordable health insurance options to choose from as they assess the needs of their family. The marketplace or federal exchange, created by the ACA, has overcome its initial shortcomings and is as strong as ever.

Carriers continue to expand their footprints, premium pricing is stable, and most importantly, more and more people are enrolling. In addition to those who purchased from the exchange during open enrollment, more than 1.5 million people selected a 2021 health plan through the special enrollment period created in response to COVID-19, with an additional 600,000 enrolling through the 15 state-based marketplaces, the Department of Health and Human Services reported last month. As the risk pool continues to grow, it further stabilizes the market.

Of the initial filings for 2022 rates that the Peterson-KFF Health System Tracker analyzed, 13 states plus the District of Columbia will see slight increases, with a median increase of 3.8% for individual health insurance plans. Most insurers that have shared data so far are noting little to no impact of COVID on their future rates.

Reinsurance programs, state-based public options, and the premium tax credits extended through the American Rescue Plan Act are all contributing to more affordable healthcare. ICHRA, working alongside these other forces, is also adding more individual health insurance enrollees to the marketplace. Carrier competition has also stemmed from these efforts, further driving costs down and consumer-friendly features up.





The pandemic has fundamentally changed the way we work

Remote work has changed the dynamics of the workforce in more ways than one.

Most notably, the wave of newly remote workers will certainly shape the future of benefits. The percentage of workers working full-time remote is expected to double this year, according to a study by Enterprise Technology Research.

Another survey noted that over 74% of businesses plan to permanently shift employees to remote work after the COVID-19 pandemic ends.

For those employers administering group plans, having workers in more than one location can be quite the challenge; traditionally, it's very difficult to keep part-time and remote workers on group plans. This is a big shift that business owners need to prepare for and, you guessed it, ICHRA can help deliver benefits to these types of employees more seamlessly than a group plan ever could.

The ICHRA 10

Data from January 2020 through Summer 2021

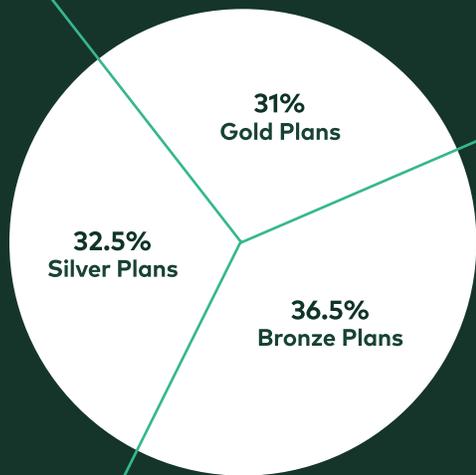
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Employees have a lot of choices (and help)

Today's workforce demands personalization when it comes to their healthcare. More than ever, employees on our platform have access to high quality, ACA-compliant options and an increasing number of carriers on the individual marketplace. This is a big departure from having one or two choices through a group plan; More than 74 percent of firms offering group health insurance only provide employees with one type of health plan, according to the HRA Council.

No two employees are alike, so why do their health plans have to be?

Our data demonstrates the variety of plans employees on our platform chose—from metal tiers to deductibles to carrier choice. Instead of having one or two choices, employees are able to choose the best plan that works for their family's needs.

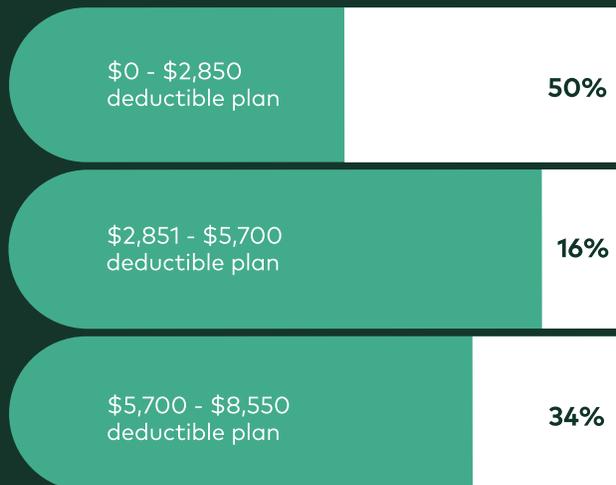


Plan Choice

Metal tier enrollments were pretty consistent across the spectrum: 36.5% enrolled in bronze plans, 32.5% in silver plans, and 31% in gold plans.

Deductible Choice

Employees opted for a wide range of deductibles as well. Roughly half of all employees on our platform enrolled in a plan with a deductible less than \$2,850. Of the people who fall in this bucket, many chose zero dollar deductible plans. For reference, a recent survey from eHealth shows that the average deductible for small group health plans was \$3,140 each year.



Participation Rates

On average, our clients had participation rates between 67% and 70%, signaling higher participation than the national average of 61% of employees that are covered by an employer-sponsored group plan, according to Kaiser Family Foundation. Remember, if an employee is on a spouse's plan, they aren't eligible for ICHRA. We see high participation rates as a mark of employee satisfaction.



1.3 calls per employee



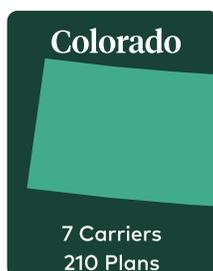
28,000+ chats

Choice Support

A cornerstone of employees' success in enrolling in a plan with confidence (and accuracy) is our enrollment team. These licensed insurance professionals stand at the ready to take calls and respond to chats to help employees choose the right plan.

Carrier Choice

Employees had very different taste in carriers; in each state, there was a big range. Below is a snapshot of plans that employees chose out of an abundance of choices.



2 ICHRA is everywhere.

While some locations are better positioned to take advantage of the ICHRA wave, **we are proud to have clients in every single state.**

We're seeing ICHRA take off in certain geographies more than others, which typically correlates with strong, local health insurance markets with carrier competition and competitive premium prices relative to those of group plans.

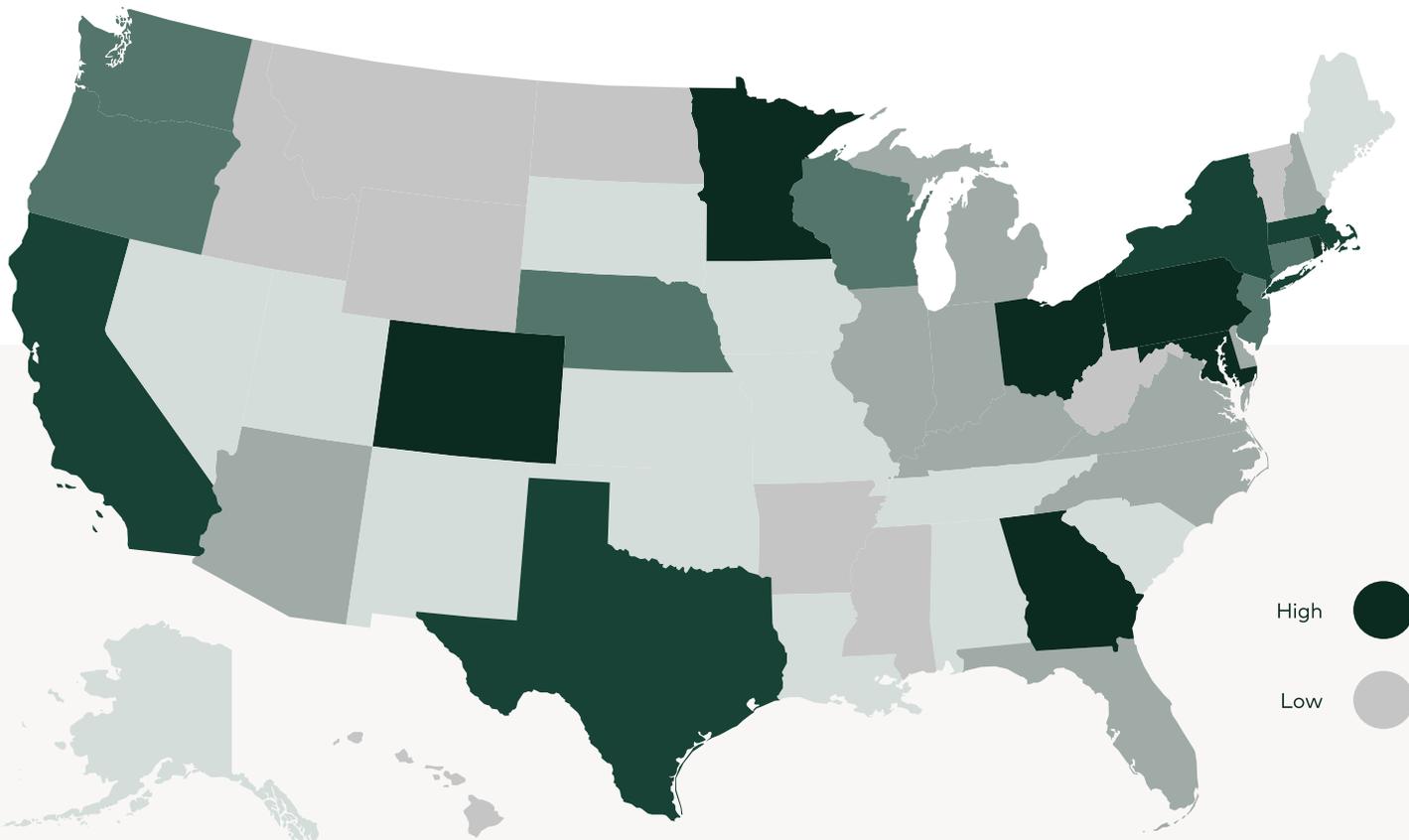
Trending States in 2021



There are more ICHRAs per capita among our clients in Colorado than any other state.

ICHRA Heat Map

Based on employees on our platform



80%

net new to benefits

A principal part of our mission is to reduce the number of uninsured by expanding coverage through ICHRAs.

80% of our small business clients offering ICHRA are net new to benefits, combatting the troubling trend of increasing numbers of small businesses dropping group plans. This is a huge win because it means that these employees are receiving employer help with their health insurance for the first time. Remember, companies with less than 50 employees aren't actually required to offer benefits. These are individuals who might not have had help with coverage in the past. In contrast, the vast majority of our larger employer clients have offered benefits in the past.

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ICHRA is expanding coverage

4 ICHRA covers premiums better than group plans

How much are employers reimbursing with ICHRA?

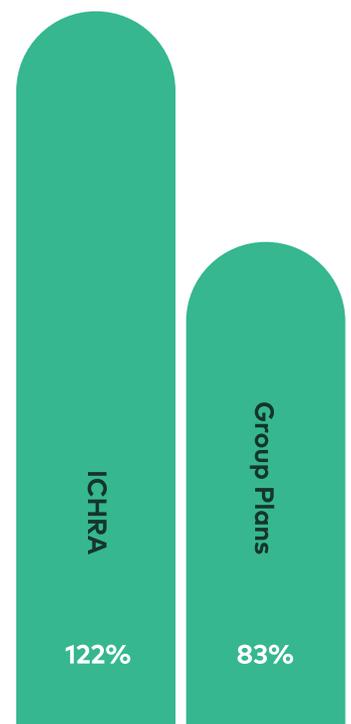
Average monthly contribution rates in 2021.



How far does that actually go?

While group plans typically only cover around 83% of premiums for singles and 74% of premiums for families* (with the rest coming out of their employees' paychecks), the average national reimbursement rates of our clients based on 45-year-old employees was \$448.39 per employee per month, which covers 147% of lowest cost bronze plans and 122% of lowest cost silver plans. This varies per state, but an overwhelming majority reimbursed more than local plan premiums with the exception of five states that still had percentages well above group plan premium coverage. For those on small group plans, the burden on employees is even greater, with more than 35% of employees footing more than half the bill, according to The Employer Health Benefits 2019 Summary of Findings.

The states with highest percentage of bronze and silver plan coverage through ICHRA reimbursements are Washington, Nevada, North Carolina, Pennsylvania and Missouri. The states with the lowest percentage of bronze and silver plan coverage were Louisiana, South Dakota, Tennessee and Maine.



Percentage of silver tier premium coverage of ICHRA vs group coverage

*According to [KFF](#)

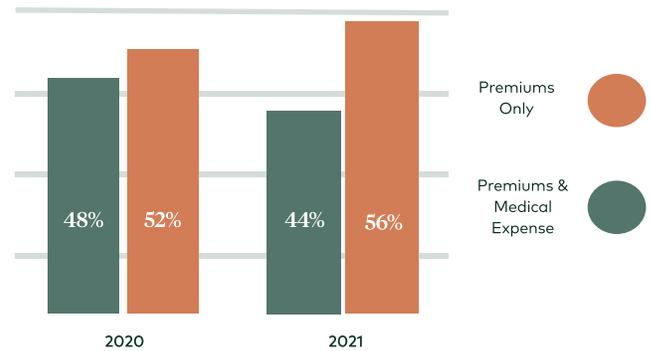
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Employees are getting help with medical expenses too

When setting up ICHRA, business owners can choose between reimbursing for premiums only or reimbursing for premiums and medical expenses. If they reimburse for both, leftover funds after the premium can help employees pay for other out of pocket medical costs.

Premiums vs premiums and medical expenses

In 2021, 56% of our clients reimburse for premiums only, while 44% reimburse for premiums and medical expenses. In 2020, that breakdown was slightly different, with 48% reimbursing for both, and 52% only reimbursing for premiums.



Most common approved expense claims

Chiropractor, contacts, copays, sunscreen products and rx sunglasses, over the counter meds, counseling appointments.

“It can be really difficult to find a therapist in network that has availability—IChRA is helping employees get the counseling they need and they’re getting reimbursed for it.”

-Employee on the Take Command Platform

Most common declined claims

vitamins and probiotics



In 2021 so far, our clients have reimbursed more than \$1M in medical expenses.

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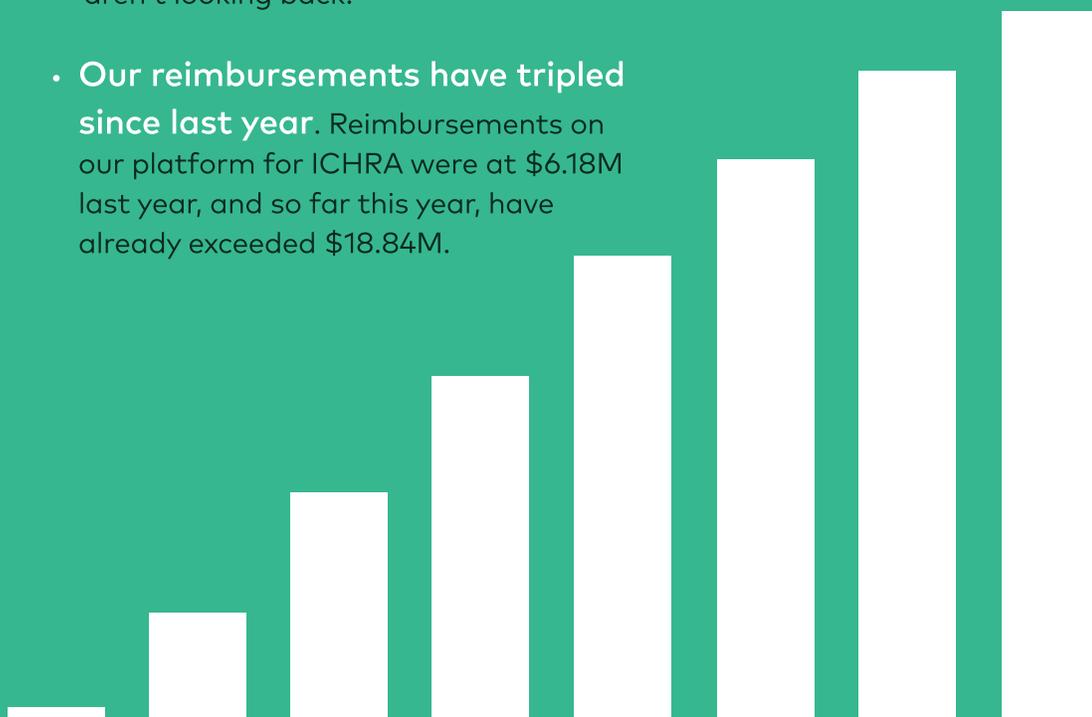
ICHRA is on the rise

Despite a global health crisis, an economic recession, and a combative political landscape, the individual coverage HRA is gaining momentum based on the numbers we've seen at Take Command. And we're not the only ones.

A recent study by KFF and PBGH revealed that 48% of its respondents said they were "considerably or highly likely" to use an ICHRA to offer alternative coverage to employees.

... and Take Command is leading the charge

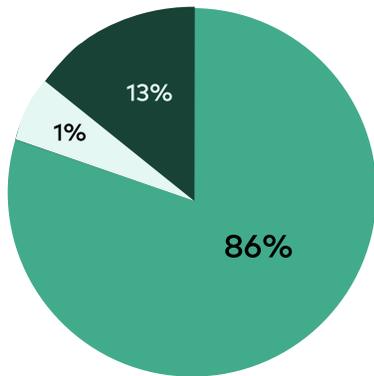
- We've seen **350-400% growth year** over (inaugural) year.
- **We've tripled in size** to accommodate this growth.
- For clients who signed up for ICHRAs during the inaugural year, we've seen a **96% renewal rate**. Employers who made the switch from their group plan aren't looking back.
- **Our reimbursements have tripled since last year**. Reimbursements on our platform for ICHRA were at \$6.18M last year, and so far this year, have already exceeded \$18.84M.



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ICHRA attracts all kinds of businesses

Company size



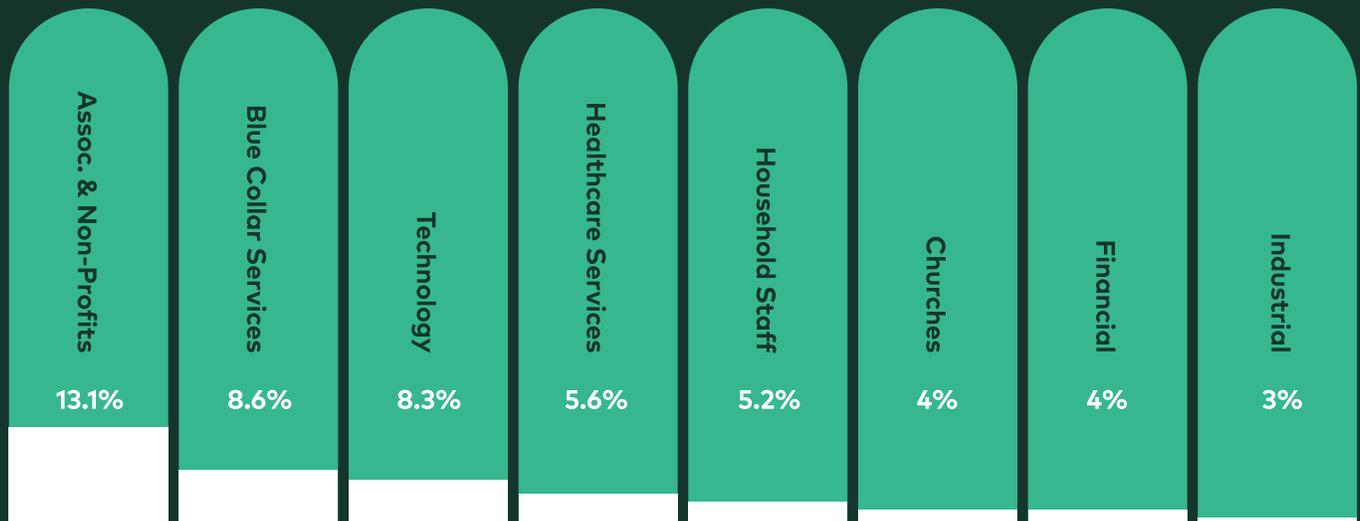
While the average size of our ICHRA clients is 6, that doesn't really tell the whole story. The majority of our clients fall in the 10 to 20 category, but there is high variance in client size. Legacy small business clients comprise a large portion of our business, but the fastest growing segment is our larger client base.

While small companies might not have to offer benefits (the employer mandate doesn't apply to companies with less than 50 employees), they do want to help with benefits, especially with the competitive labor market.

Regardless if it's a small company hoping to help its employees, a larger one with medically underwritten group plans to satisfy the employer mandate, or 1000+ employee companies that are self-funded with a multi-state footprint, ICHRA wins across the spectrum for its optimized approach to risk de-management, choice, and flexibility.

Industry Breakdown

The breakdown of industry types among our ICHRA clients has held steady since last year. Here are the top industries:





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Larger employers are jumping on board

“Large employers represent the fastest growing segment for ICHRA, with a 210% rise in larger employer enrollments over the last year.”

One of the common misconceptions is that only small businesses are opting for ICHRA. We've found the opposite to be true, especially for clients with 50 to 1,000 employees.

- More than 50% of our mid-market clients are in blue collar services.
- 75% of our mid-market accounts are broker referrals
- Average monthly reimbursement rates \$650

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ICHRA is strengthening the ACA

Adding healthy, young lives to the individual insurance market drives down costs and further stabilizes the market. While ICHRA is adding new lives to the market, which grows the risk pool, it's also important to look at the types of individuals that are being added to the risk pool. **The average age of employees on our platform, for example, is 38 while the median is 35.** Both numbers land in the bottom third of eligible ages for coverage, typically the healthiest and least expensive. In contrast, according to [KFF](#), the most common age group buying plans on Healthcare.gov is between 55 and 64.

We believe ICHRA helps deliver on campaign goals of the current administration through its role in strengthening the ACA and expanding coverage for working Americans. ICHRA continues to be a rare bipartisan win.

Average Age of the Individual Buying Plans



The individual coverage HRA brings more lives to the individual market—a top priority for Democrats—and it brings the consumer choice and flexibility that Republicans rally behind.



10

Carriers are doubling down & expanding their footprint.

The growing competition within the stabilized individual insurance market means more choice for individuals and more innovation features from carriers. Since carriers are the ones holding the risk, they are motivated to offer their own wellness incentives and perks.

- ✓ dental & vision
- ✓ free telemedicine
- ✓ wellness incentives
- ✓ \$0 deductible options
- ✓ free generic drugs
- ✓ free preventative care
- ✓ coverage of essential benefits

“**CVS-Aetna Branded Plans target 8 states for 2022 launch.**”

- [Forbes](#)

“Insurers flock to offer coverage in 2022.”

- [Georgia Health News](#)

The number of carrier choices has grown steadily in recent years. According to KFF:

- 30 insurers entered new states
- 61 insurers expanded service areas
- Average of 5 insurers per state
- Premiums have stabilized (along with MLRs)
- State-level reinsurance programs have lowered premiums in some states

A growing number of geographies have IFP rates lower than SG, meaning employers' benefits spend can stretch further with an ICHRA.

What to expect in the coming months

For the coming year, we expect to see an increased awareness from the employer community, continued support from both sides of the political aisle, continued growth on our platform (we've invested heavily in new features to be announced soon), and growing recognition among benefits professionals that ICHRA is a great option for some of their clients. Our biggest hurdle continues to be a lack of awareness; we believe 95% of businesses who would be a great fit for ICHRA still haven't heard of it.

Take Command is a proud inaugural member of the [HRA Council](#), which was formed to promote education and awareness around the new models of health reimbursement arrangements and build upon them to improve the stability and affordability of individual health coverage.



About Take Command

Take Command is on a mission to accelerate the adoption of the reimbursement model of health insurance to help create a consumer-centric healthcare system. Take Command is a recognized leader in QSEHRA administration for small employers, launched the first-to-market Individual Coverage HRA platform, and is the only HRA administrator to also offer full service, in-house individual enrollment support.

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**IS ICHRA RIGHT FOR YOU
or YOUR CLIENTS?**
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