

Avalere Report Examines Impacts of ICHRAs on American Workers



1.5 Million Workers Estimated to Lose Current Health Care for ICHRA Coverage by End of 2022

1.5 million Workers Who Had Health Insurance Through Work Will Lose It, Replaced by ICHRA Coverage

While the overall share of companies using or planning to use the ICHRA system remains low, Avalere finds that by the end of 2022, 3 million people could have some kind of coverage through an ICHRA. Half of those people – 1.5 million workers – currently or previously had traditional employer-sponsored coverage and may lose their plan and will instead need to find their own coverage.

Employee Participation in ICHRAs (in Thousands) – Table 3

Firm Size (# Employees)	Employers previously offering Health Benefits		Employers not previously offering Health Benefits	
	2021	2022	2021	2022
<100	570	1,148	722	1,039
100+	393	396	359	517
Total	963	1,543	1,081	1,556

ICHRA Plans Found on Individual Market Come with Higher Deductibles, Access to Fewer Doctors

The report finds that plans purchased through an ICHRA stipend will generally come with higher deductibles and out of pocket costs than job-based coverage, and access to fewer doctors. According to the data, the average deductible for an individual with an exchange silver plan is \$4,500, with an average of only \$1,434 for employer-provided group coverage. At the same time, ICHRA plans are likely to have fewer health care providers available in their networks. Avalere found that 70% of these plans have more restrictive provider networks, such as HMOs or EPOs. Additionally, some workers could lose access to important tax credits made available under the Affordable Care Act, making coverage even more expensive. The report concludes:

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Employees and dependents shifting into individual market plans funded by an ICHRA from group health plans are likely to move to plans with higher deductibles and OOP costs. Individual market plans are also likely to have more limited provider networks than group health plans.

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ICHRA Plans Expected to Be Targeted at Low-Wage Workers, Worsening Health Disparities

The ICHRA system allows workforces to be divided into classes, with certain ones retaining traditional employer coverage, while others are placed in the ICHRA system. Avalere's report cites the Kaiser Family Foundation that noted low wage workers are the most likely to be moved into an ICHRA. Avalere reports:

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The KFF survey indicates that among large firms that offer, or intend to offer, ICHRAs, 60% offer, or intend to offer, to low-wage workers in particular... While non-discrimination provisions in the rule seek to protect employees from being targeted based on age, health status, or select other features, the possibility that ICHRA offers may disproportionately be extended to low wage workers has implications for which populations would be most affected by the shift in coverage.

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Exchange Coverage Could Become More Expensive for Everyone

The health care exchanges could also be made more expensive by shifting people into ICHRAs from their current plans. The cost of those plans is determined in part by how much care people on those plans use, and low-wage workers are often “higher risk.” The report raises the possibility that ICHRAs shift risk into the exchange making exchange coverage more costly:

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For example, employers targeting a class of employees that may be “higher risk” for ICHRA offers could adversely impact the individual market risk pool. In the KFF Employer Health Benefits Survey, among large employers, 44% of respondents stated that they offer or intend to offer ICHRAs to all employees, while 60% of respondents offer or intend to offer to low-wage workers. This indicates that certain employees could be targeted, and adverse selection could occur.

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