

ICHRA FEASIBILITY ANALYSIS

Sample Company

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bavvy

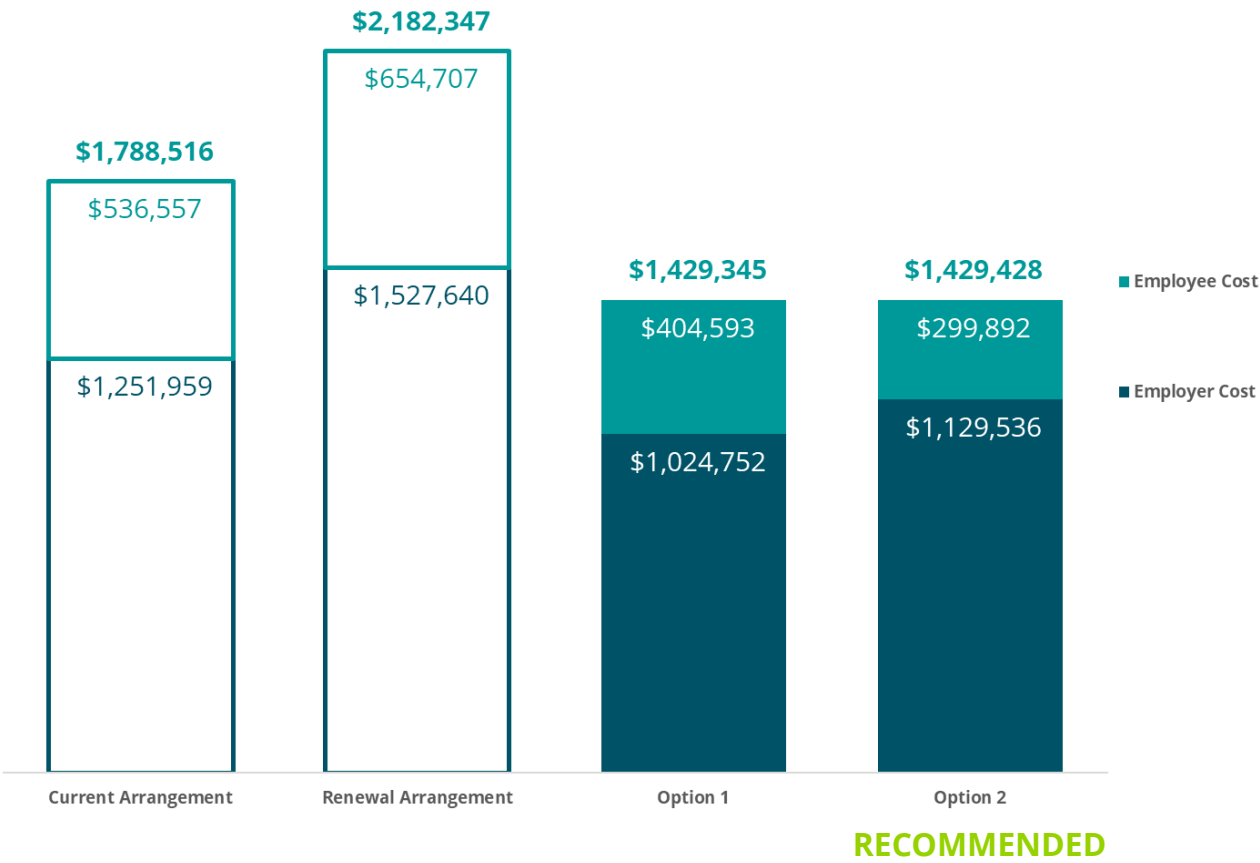
Milliman

ICHRA FEASIBILITY ANALYSIS

SNAPSHOT

Sample Company

Current vs. ICHRA Annualized Premiums



*Assumes current enrollees elect a similar coverage tier and plan design for a 4/1/2023 ICHRA start date.

Option 1

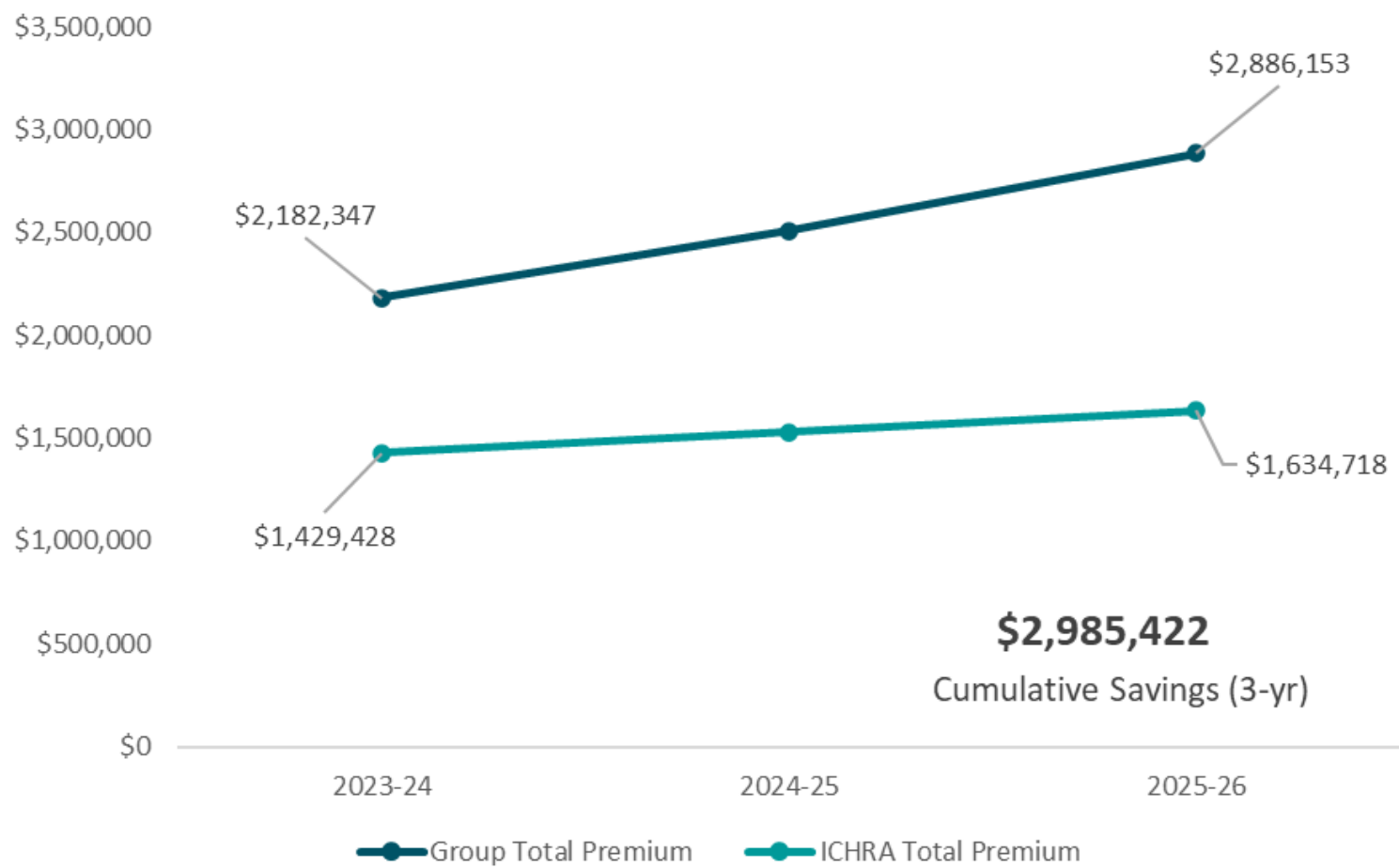
- Contributions are based on the employees' age
- **18% (\$227,207) savings** for the employer
- **25% (\$131,964) savings** for the employee

Option 2

- Contributions are based on the employees' age (adjusted)
- **10% (\$122,423) savings** for the employer
- **44% (\$236,665) savings** for the employee

TOTAL PREMIUM COMPARISON

Sample Company 3-Year Total Premium Comparison *Comparable Plan*



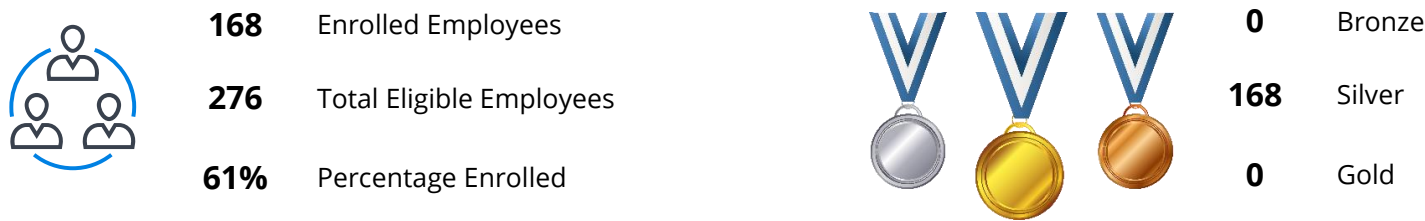
Assumptions

- Massachusetts average individual market increases were 5.2%, 7.0%, 6.3%, and 9.3% for 2020, 2021, 2022, and 2023, respectively, per the Massachusetts Department of Insurance
- Average Group increase of 15% annually
- Average ICHRA increase based on individual market resulting in 6.9% for 2024-25 and 2025-26.

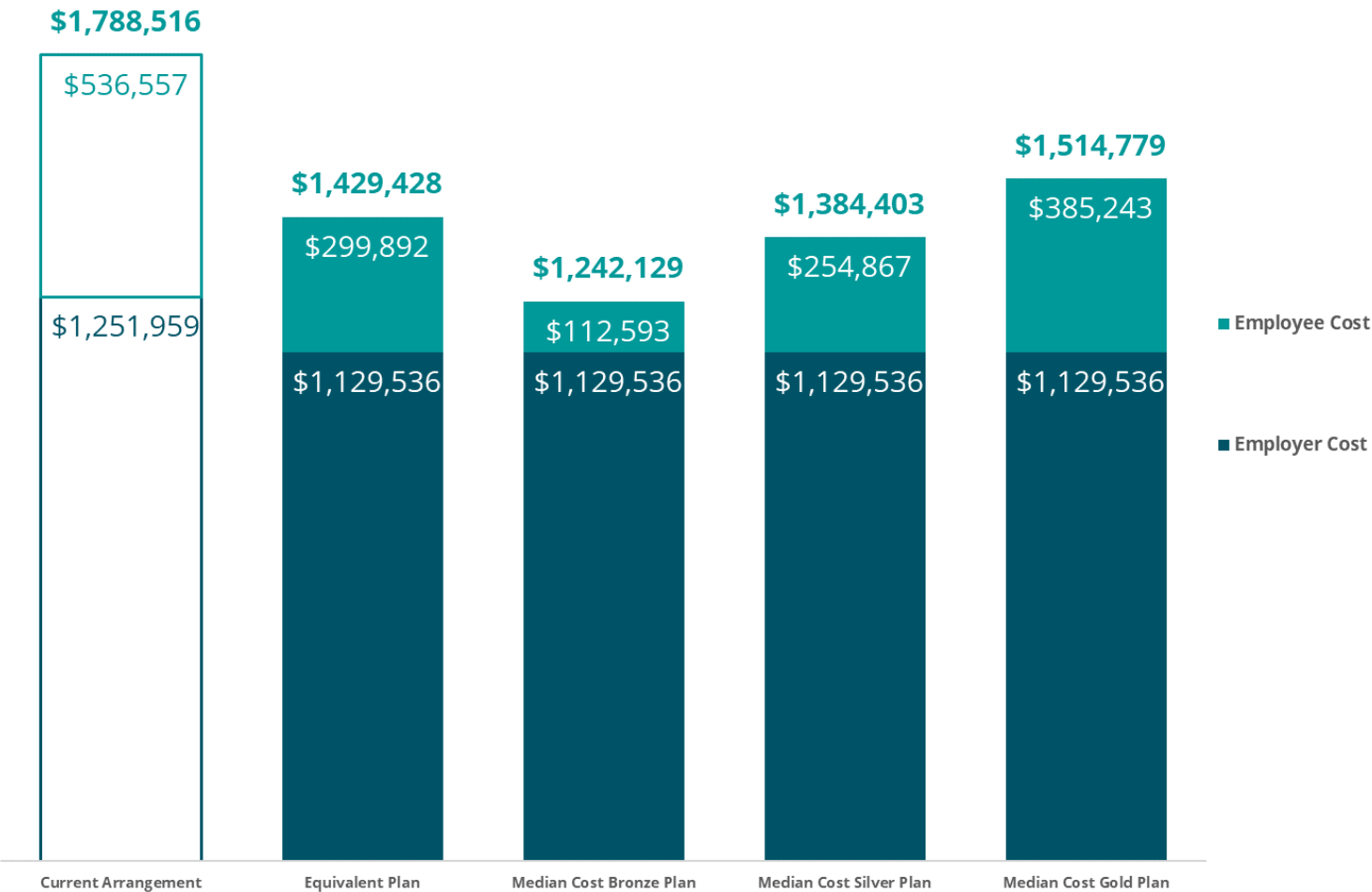
ICHRA FEASIBILITY ANALYSIS

IMPACT TO EMPLOYEES

Current Enrollment



Metal Level Comparison



- Evaluates employees total spend based on election in various metal level plans
- Uses the recommended employer contributions displayed on the previous page
- Assumes current enrollment

ICHRA FEASIBILITY ANALYSIS

IMPACT TO EMPLOYEES

Example: 44-Year-Old MA Employee

	Current Plan	Bronze Plan	Comparable Plan	Gold Plan
CARRIER	Health New England	Harvard Pilgrim	Health New England	Health New England
NETWORK	Health New England	HMO FLEX	FULLY FUNDED HMO	FULLY FUNDED HMO
DEDUCTIBLE	\$3,000	\$3,300	\$3,000	\$1,000
OOP MAX	\$6,000	\$7,500	\$7,800	\$6,000
COINSURANCE	0%	0%	0%	0%
PRIMARY CARE	\$40	\$60	\$40	\$25
MONTHLY PREMIUM	\$663.13	\$389.50	\$427.51	\$531.45
ER CONTRIBUTION	\$464.19	\$325.00	\$325.00	\$325.00
EE CONTRIBUTION	\$198.94	\$64.50	\$102.51	\$206.45

*Assumes the recommended option for employer contributions is selected.

- Represents a current enrollee’s actual plan and pricing options
 - Example employee uses age and location to best represent the overall group
 - Median cost metal options are displayed above

ICHRA FEASIBILITY ANALYSIS

IMPACT TO EMPLOYEES

Example Employee with \$15,000 of Claims Throughout the Plan Year

	Current Health New England Plan	ICHRA Health New England Silver Plan	ICHRA Health New England Gold Plan
Plan Deductible	\$3,000	\$3,000	\$1,000
Primary Care Copay (3 Visits)	\$120	\$120	\$75
Specialist Copay (9 Visits)	\$720	\$540	\$360
Emergency Room Copay (2 Visits)	\$500	\$1,000	\$500
Hospital Copay (1 Admission)	\$500	\$1,000	\$100
Misc. Cost Share	\$600	\$600	\$600
Deductibles (Misc. Cost Share)	\$600	\$600	\$600
Copayments	\$1,840	\$2,660	\$1,035
Annual Employee Contributions	\$2,387	\$1,230	\$2,477
Total Employee Would Pay	\$4,827	\$4,490	\$4,112

- Represents a current enrollee’s actual group and potential ICHRA plan options
- Costs shown above are based around an example of an enrollee with various claims throughout the plan year, not a specific condition or procedure

ICHRA FEASIBILITY ANALYSIS

CONTRIBUTIONS

Option 1

Comparable Plan

	Current Annual Cost
EMPLOYER	\$1,251,959
EMPLOYEE	\$536,557

Option 1 Annual Cost
\$1,024,752
\$404,593

Employer
Annual (Savings) /
Cost

(\$227,207)
(18%)

Chart 1

Option 1 Monthly Employer Contributions				
Age	Employee	Employee + Spouse	Employee + Child(ren)	Employee + Family
18-23	\$179.00	\$358.00	\$358.00	\$537.00
24-25	\$192.00	\$384.00	\$384.00	\$576.00
26-34	\$223.00	\$446.00	\$446.00	\$669.00
35-40	\$239.00	\$478.00	\$478.00	\$717.00
41-43	\$241.00	\$482.00	\$482.00	\$723.00
44-45	\$295.00	\$590.00	\$590.00	\$885.00
46-47	\$301.00	\$602.00	\$602.00	\$903.00
48-48	\$315.00	\$630.00	\$630.00	\$945.00
49-52	\$346.00	\$692.00	\$692.00	\$1,038.00
53-53	\$395.00	\$790.00	\$790.00	\$1,185.00
54-58	\$396.00	\$792.00	\$792.00	\$1,188.00
59-59	\$466.00	\$932.00	\$932.00	\$1,398.00
60+	\$536.00	\$1,072.00	\$1,072.00	\$1,608.00

Chart 2

Premium Change	Employees Impacted	
From Current	ICHRA	Renewal
25% + Cost Increase	3	0
15 - 25% Cost Increase	5	168
0 - 15% Cost Increase	10	0
0 - 15% Cost Decrease	30	0
15 - 25% Cost Decrease	55	0
25% + Cost Decrease	65	0

Renewal numbers are based on the current health plan renewal

- Chart 1 displays employer contributions based on age group and tier election
- Chart 2 displays the cost effect to enrolled employees
- Employer contributions can be restructured or changed if requested

CONTRIBUTIONS

Option 2 – Recommended

Comparable Plan

Current
Annual Cost

Option 2
Annual Cost

Employer
Annual (Savings) /
Cost

EMPLOYER \$1,251,959

\$1,129,536

EMPLOYEE \$536,557

\$299,892

(\$122,423)
(10%)

Chart 1

Option 2 Monthly Employer Contributions				
Age	Employee	Employee + Spouse	Employee + Child(ren)	Employee + Family
18-23	\$197.00	\$394.00	\$394.00	\$591.00
24-25	\$211.00	\$422.00	\$422.00	\$633.00
26-40	\$264.00	\$528.00	\$528.00	\$792.00
41-43	\$265.00	\$530.00	\$530.00	\$795.00
44-45	\$325.00	\$650.00	\$650.00	\$975.00
46-47	\$331.00	\$662.00	\$662.00	\$993.00
48-48	\$347.00	\$694.00	\$694.00	\$1,041.00
49-52	\$381.00	\$762.00	\$762.00	\$1,143.00
53-53	\$435.00	\$870.00	\$870.00	\$1,305.00
54-55	\$436.00	\$872.00	\$872.00	\$1,308.00
56-58	\$479.00	\$958.00	\$958.00	\$1,437.00
59-59	\$513.00	\$1,026.00	\$1,026.00	\$1,539.00
60+	\$590.00	\$1,180.00	\$1,180.00	\$1,770.00

Chart 2

Premium Change	Employees Impacted	
From Current	ICHRA	Renewal
25% + Cost Increase	0	0
15 - 25% Cost Increase	0	168
0 - 15% Cost Increase	0	0
0 - 15% Cost Decrease	7	0
15 - 25% Cost Decrease	22	0
25% + Cost Decrease	139	0

Renewal numbers are based on the current health plan renewal

- Chart 1 displays employer contributions based on age group and tier election
- Chart 2 displays the cost effect to enrolled employees
- Employer contributions can be restructured or changed if requested



WHY BAVVY?

Bavvy provides an innovative solution for employer-sponsored health benefits. It combines the advantages of offering an ICHRA with Milliman's powerful analysis and strategic process.

THE ADVANTAGES

What are the benefits of ICHRAs?

- **Cost-Effective:** Employers easily control costs and maintain their health benefits budget
- **Empowered Employees:** Employees choose their individual coverage based on their needs
- **Retention:** Employers remain competitive and attract/retain top talent
- **Flexibility:** ICHRAs are tax-free, there are no minimum participation requirements, no min/max contribution limits, and no annual rate hikes

ICHRA Feasibility Analysis (IFA)

The ICHRA Feasibility Analysis (IFA) answers two main questions:

- **How do I know if ICHRAs are a good fit?**
- **What should my budget be to meet affordability?**

Milliman runs employer contribution scenarios based on the minimum affordability for each group and assesses if an ICHRA is viable. By using census information and key market data, the analysis predicts the estimated savings or costs for the employer and employee.

To determine contributions, the affordability baseline is defined ensuring ACA guidelines are met. Milliman then works with the broker or employer to establish a contribution structure that meets the budget. By changing tier factors and band scenarios, potential savings are optimized.

Once contributions are set, our consulting and implementation teams will work with the employer to set a pre-funding amount to deduct from the employer's bank account for open enrollment. This amount initiates the process of funding employees' full premiums a month in advance. Once funded, employers will be able to recoup the employees' portion of the premium via payroll deductions.



How is affordability determined?

In performing our analysis, we rely on four primary variables when determining affordability. These are location, age, lowest cost silver plan, and the rate of pay test as defined by the Affordable Care Act (ACA).



Location



Age



Lowest Cost
Silver Plan



Rate-of-Pay
Test

How can we class our employees?

Employers have the option to take advantage of the employee class structures below. Classing employees can help the employer solve for a variety of unique situations such as budget constraints or employee retention, attraction, and equity. Employee classing can be used for the entire population or for a segment of the group (ICHRA carve-out).

**Once affordability is defined,
we work with you to optimize
classing options and
contribution scenarios.**

- Full-time & Part-time employees
- Salaried & Hourly employees
- Employees in different locations, based on rating areas
- Temporary employees of staffing firms
- Seasonal employees
- Employees covered under a collective bargaining agreement
- Employees in a waiting period
- Foreign employees who work abroad
- A combination of two or more of the above

Pricing

Pricing is based on Bavy's proprietary banking system, consulting services including the IFA and classing options, technology platform, support from the Customer Success Team, and access to Bavy's individual health marketplace resulting in fees of \$35 PEPM. We assumed Sample Broker fees of \$25 PEPM for a total PEPM of \$60. All fees are included in the estimated savings/costs of this report. If enrollment levels, plan designs, salary, vendors, or locations should change dramatically, this number should be updated with new information.

Assumptions & Methodology

The steps we used to arrive at the results are outlined below:

- 1 We received current census and premium data from Sample Company and Sample Broker. Any zip code that could reside in multiple counties was mapped to an individual county based on Milliman's discretion for conservatism.
- 2 To calculate Affordable Care Act (ACA) affordability, all active employees were taken into consideration. We have assumed the census information received includes all benefit eligible employees for Sample Company.
- 3 When performing our alternative scenarios, we assumed that those employees electing coverage would continue to elect coverage in similar tiers and that employees waiving coverage would continue to waive coverage unless instructed otherwise by you.
- 4 The Rate of Pay Test affordability criteria was followed from the most recent set of guidelines established by the ACA, which is based on 9.12% of an employee's annual salary or hourly pay rate for 2023. When we received salary information for an employee, we assumed that employee is considered salaried. When we received hourly pay rate information for an employee, we assumed that employee is considered hourly. We used hourly pay rate information when both salary information and hourly pay rate information were available.
- 5 The plan premiums were provided by Ideon (formerly Vericred). We relied on these premiums without audit in this analysis.

Reliance & Limitations

In performing our analysis, we relied on data provided to us by Sample Broker. We have neither verified nor audited the accuracy of the data contained in the files. If the underlying data is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. Where practicable, the data was reviewed for consistency and reasonableness.

This analysis is intended to be affordable (as defined under currently applicable Affordable Care Act rules) as of the date it was ran, based on the information you provided. If any of the facts on which this analysis was run change (e.g., you hire employees in different geographies or at different rates of pay), the ICHRA may become unaffordable for a portion or more of your employees.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is likely that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

The services provided for this project were performed under the signed Consulting Services Agreement between Milliman and Sample Broker dated January 1, 2022. This report and the models herein have been prepared for the internal use of Sample Broker in their relationship with Sample Company and are only to be relied upon by those organizations. No portion may be provided to any other party without Milliman's prior written consent. Milliman does not intend to benefit any other recipient of this report, even if Milliman consents to the release of this report to that recipient. Please contact us if you have any questions.