THE CHOICE ARRANGEMENTS GUIDE

Formerly known as ICHRA

Everything employers, employees and brokers need to know for 2027

Presented by The ICHRA Shop and ChoiceBenefits.ai

2027 PLANNING EDITION

Independent market analysis | Contribution design | Family affordability | Implementation | Human enrollment support

INTRODUCTION

A New Name for a Proven Model

CHOICE Arrangement is the emerging public name for the benefit long known as an Individual Coverage Health Reimbursement Arrangement, or ICHRA. CHOICE stands for Custom Health Option and Individual Care Expense.

The name is new. The central idea is not: an employer establishes a defined contribution, and eligible employees use it toward qualifying individual health coverage or Medicare under the applicable rules.

For search, education and compliance continuity, this guide intentionally uses both terms: CHOICE Arrangement (formerly ICHRA).

Important status note. CMS publicly announced the CHOICE Arrangements name on September 3, 2026. Employers should continue to follow controlling statutes, regulations and formal agency guidance. A naming announcement does not by itself rewrite plan obligations.

This guide is educational and is not legal, tax or accounting advice.

FROM POLICY TO MARKETPLACE

The CHOICE Arrangement Timeline

2017	**Federal policy direction** An executive order directed agencies to consider expanding HRA flexibility and employee access to individual coverage.
2018	**Proposed federal rule** The Departments proposed rules allowing HRAs to integrate with individual health insurance.
2019	**Final ICHRA rule** The final rule was published June 20, 2019, allowing individual-coverage HRAs for plan years beginning on or after January 1, 2020.
JAN 2020	**ICHRA becomes available** Employers could begin sponsoring ICHRAs under the new federal rules.
FEB 2020	**The ICHRA Shop begins** The ICHRA Shop started helping employers evaluate individual-market coverage, contributions and implementation. This is a company milestone supplied by The ICHRA Shop.
2022	**Family affordability changes** Federal rules revised how affordability of employer coverage is determined for related family members, increasing the importance of employee, spouse and dependent analysis.
2025-2026	**Employer adoption expands** More employers, brokers and platforms begin treating ICHRA as a strategic alternative to traditional group coverage.
SEP 3, 2026	**CMS announces CHOICE Arrangements** CMS announced the CHOICE Arrangements name, creating a clearer public label while the market continues to recognize ICHRA.
2027	**The next chapter** Employers compare CHOICE Arrangements, group plans and hybrid class strategies with greater attention to family affordability and employee support.

THE FOUNDATION

What Is a CHOICE Arrangement?

A CHOICE Arrangement is an employer-sponsored health reimbursement arrangement. It is not health insurance. The employer funds an allowance, while eligible employees select qualifying individual coverage available in their market.

Traditional group plan	CHOICE Arrangement / ICHRA
Employer selects the carrier and plan menu	Employer selects the contribution strategy
Employees choose from the employer menu	Employees choose qualifying individual coverage
Rates are group-based	Premiums reflect individual-market age, geography and household composition

The employer finances the benefit. The employee selects the insurance.

A CHOICE Arrangement can work for employers of many sizes, including applicable large employers, when plan design, affordability and administration satisfy applicable requirements.

STRATEGY BEFORE SOFTWARE

Why Employers Consider CHOICE

- Predictable employer funding through a defined contribution.
- More employee choice among available individual plans.
- A potential fit for multi-state, remote and geographically dispersed workforces.
- An alternative to annual group-plan renewals.
- The ability to use permitted employee classes and family-size or age-based variations, subject to the rules.
- A path to combine medical coverage with dental, vision, life, HSA and voluntary benefits.

CHOICE is a finder of the right answer, not an automatic promise of savings.

A credible analysis compares the current group plan, renewal, individual-market opportunity, employee impact, family impact, networks and administration. Sometimes CHOICE wins. Sometimes group insurance remains better.

EMPLOYEE, SPOUSE AND DEPENDENT

Contribution Design and the Family Question

The contribution is the core plan-design decision. Individual-market premiums are built person by person, so family cost can vary by employee age, spouse age, dependent ages and geography.

Model three components separately: employee (EE), spouse (SP) and dependent (DEP). This makes the employer's intent visible and enables a more useful family-affordability analysis.

Budget	What to evaluate
Employee	Employee-only affordability, age and rating area
Spouse	Spouse premium, household circumstances and potential Marketplace implications
Dependent	Number and ages of children, premium rating and family affordability

Family glitch caution. Unaffordable family coverage does not automatically produce a Premium Tax Credit. Household income, tax filing status, other coverage, Marketplace rules and the ICHRA opt-out rules can matter.

DESIGNING FOR A REAL WORKFORCE

Classes, Geography and the 3:1 Age Rule

CHOICE contribution design may use permitted employee classes and geography. Examples can include full-time and part-time employees, salaried and non-salaried employees, seasonal employees and employees in specified rating areas, subject to detailed rules and possible minimum class sizes.

Age-based employer contributions may vary, but the amount available to the oldest participant cannot exceed three times the amount available to the youngest participant within the relevant design.

Design from the census outward: age, ZIP code, family composition, wages, eligibility and current plan cost.

Geography is especially important because individual plan availability, premiums, carrier competition and provider networks are local. A strategy that performs well in one rating area may perform poorly in another.

DO NOT STOP AT EMPLOYEE-ONLY

Affordability and Premium Tax Credits

For applicable large employers, CHOICE Arrangement affordability can affect employer shared-responsibility exposure. Employee age, location, required contribution and the applicable federal percentage all matter.

For spouses and dependents, the family-affordability rules require separate attention. A family member's potential Premium Tax Credit eligibility is not the same as the employee's employer-mandate test.

Never imply that an employer contribution and a Marketplace tax credit can simply be stacked. If an offer is affordable, it can prevent PTC eligibility. If it is unaffordable, an otherwise eligible individual may potentially qualify, but the applicable opt-out and Marketplace requirements must be followed.

Employee affordability, family affordability and actual subsidy eligibility are three related - but different - questions.

MEDICAL SHOULD NOT LIVE ON AN ISLAND

CHOICE + HSA + Broader Benefits

A CHOICE Arrangement can be part of a broader benefits strategy. Depending on coverage and reimbursement design, employees may also value an HSA, dental, vision, life, disability, accident, critical illness or hospital-indemnity coverage.

HSA eligibility requires careful plan design. A reimbursement arrangement that pays disqualifying first-dollar medical expenses can affect eligibility even when the underlying health plan is HSA-compatible.

- Medical marketplace and enrollment
- Dental and vision
- Life insurance
- Disability and supplemental protection
- HSA education and payroll contribution guidance
- Lifestyle and voluntary benefits

Choice + guidance = empowerment. Choice without guidance = confusion.

TECHNOLOGY PLUS REAL PEOPLE

The Human Enrollment Experience

Moving from a few group plans to many individual options can be empowering and overwhelming. Employees may need help comparing premiums, deductibles, networks, prescriptions, physicians, hospitals and family costs.

A complete enrollment model can include:

- A private employer enrollment link.
- Self-service plan shopping and enrollment.
- Clear employer payment or reimbursement instructions, including a payment card when supported.
- Virtual 1:1 enrollment appointments.
- Virtual group meetings.
- Scheduled live enrollment events.
- A human escalation path for complex family or provider questions.

At ChoiceBenefits.ai, Janet represents that human path: employees can shop digitally and still reach a real enrollment professional.

MAKE THE COMPLEX FEEL MANAGEABLE

A Three-Step Employer Launch

1	**Set contributions and compare costs** Review current medical and other-benefits spending. Model EE, spouse and dependent contributions. Compare CHOICE, group and hybrid scenarios.
2	**Adopt and launch the employer plan** Confirm classes, geography, eligibility, affordability, plan documents, notices and administration.
3	**Open employee enrollment** Share the employer link. Employees shop and enroll, follow payment instructions or book live help.

The underlying administrator checklist still matters: plan documents, SPD, notices, attestations, substantiation, reimbursements, eligibility changes, COBRA review, reporting, PCORI and annual renewal. The difference is that these tasks should support the three-stage experience rather than overwhelm it.

KEEP THE RELATIONSHIP

What Brokers Should Know

A broker can remain central to the employer relationship while using specialist support for market analysis, plan setup and individual enrollment.

- Refer employer clients and track each opportunity.

- Keep visibility into employer configuration and launch status.

- Add a flat annual professional-service fee to each employer engagement.

- Support or delegate individual enrollment based on the broker's preferred model.

- Retain broader benefits strategy across medical, life and voluntary benefits.

- Prepare for annual renewal and market re-evaluation.

The broker should not disappear. The role should become more strategic.

DUE DILIGENCE

Questions to Ask Any CHOICE Vendor

1. Do you evaluate the whole available individual market or only platform-connected plans?

2. Can our existing broker remain involved?

3. Can you separately administer employee, spouse and dependent contributions?

4. How do you control contribution spillover between family members?

5. How do you test employee affordability and family affordability?

6. Who prepares plan documents, notices and ongoing compliance support?

7. How are premiums paid, substantiated and reconciled?

8. What help does an employee receive when choosing coverage?

9. Can you support multiple states, rating areas and employee classes?

10. What happens when the analysis shows that group insurance is the better answer?

PLAIN-LANGUAGE ANSWERS

SEO-Friendly CHOICE Arrangement FAQ

Is a CHOICE Arrangement the same as ICHRA?

CHOICE Arrangement is the new public name announced for the benefit long known as an Individual Coverage HRA. The underlying ICHRA rules and formal guidance remain essential.

When did ICHRA start?

The final federal rule was published in June 2019, and ICHRAs became available for plan years beginning on or after January 1, 2020.

Can a large employer offer a CHOICE Arrangement?

Yes, employers of many sizes can use the model, but applicable large employers must address affordability, employer-mandate and reporting requirements.

Can contributions vary for spouses and dependents?

Family-size variations can be part of a compliant design. The plan should separately model employee, spouse and dependent costs and review family affordability.

Can employees choose different plans?

Eligible employees can select qualifying individual coverage available to them. Family members may sometimes make different coverage decisions, subject to eligibility, enrollment and plan rules.

Does CHOICE always save money?

No. The result depends on age, geography, family composition, individual-market pricing, networks, current group costs and contribution design.

INDEPENDENT ANALYSIS BEFORE ADMINISTRATION

The ICHRA Shop Approach

- Census and current-plan analysis.
- Individual-market shopping by age and geography.
- Group versus CHOICE cost comparison.
- Employee, spouse and dependent contribution modeling.
- Employee and family affordability review.
- Carrier, provider-network and prescription analysis.
- Platform and payment-method selection.
- Compliance-document and launch coordination.
- Human enrollment support.
- Annual market and renewal review.

Technology should administer the employer's strategy - not define it.

AUTHORITATIVE STARTING POINTS

Sources and Methodology

Federal Register - 2019 final HRA rule
https://www.federalregister.gov/documents/2019/06/20/2019-12571/health-reimbursement-arrangements-and-other-account-based-group-health-plans

U.S. Department of Labor - 2019 final rule announcement
https://www.dol.gov/newsroom/releases/ebsa/ebsa20190613

U.S. Department of Labor - Individual Coverage HRA Model Notice
https://www.dol.gov/agencies/ebsa/laws-and-regulations/rules-and-regulations/completed-rulemaking/1210-ab87/individual-coverage-model-notice

Federal Register - 2022 family affordability final rule
https://www.federalregister.gov/documents/2022/10/13/2022-22184/affordability-of-employer-coverage-for-family-members-of-employees

CMS - Employer initiatives and ICHRA information
https://www.cms.gov/marketplace/employer-initiatives

CMS naming announcement coverage - September 2026
https://distilinfo.com/2026/09/04/cms-choice-arrangements-ichra-rebrand/

Industry explanation of September 3 announcement
https://thatch.com/blog/what-are-choice-arrangements

Company-history statement: The ICHRA Shop began in February 2020, as supplied by The ICHRA Shop. Market claims should be refreshed annually against current federal guidance and plan-year data.

THE DECISION

Start With the Right Question

The first question is not: Which platform should we buy?

The first question is: Does a CHOICE Arrangement create a better outcome for this employer and its employees?

ChoiceBenefits.ai and The ICHRA Shop help employers and brokers answer that question through market analysis, contribution design, family-affordability review, implementation and human enrollment support.

Employers	Employees	Brokers
Set contributions, classes and geography.	Shop, enroll and get live help.	Refer clients, add an annual fee and track opportunities.

ChoiceBenefits.ai | ICHRA.shop | Janet@ichra.shop