HEALTHCARE INDUSTRY GROUP

From Sideline to Center Stage:

The Rapid Rise of ICHRA for Health Plans. Are You Ready?

Executive Summary

The Individual Coverage Health Reimbursement Arrangement (ICHRA) market has reached a tipping point. Enrollment nearly tripled in 2026—a 2.8x increase over 2025, with between 400,000 and 800,000 Americans now enrolled and the redistribution of group membership has begun. This is not incremental change.

Employer cost pressure, individual premium competitiveness, and growing legislative tailwinds are converging to accelerate adoption, and the window to build a credible market position narrows with each open enrollment cycle.

The Stakes

Revenue Exposure:
~$140 PMPM gap for plans not positioned as the ICHRA landing carrier.

Competitive Window:
Closing with each enrollment cycle as platforms lock in carrier partnerships.

Strategic Debt:
Compounding with each renewal cycle without an ICHRA strategy widens the gap.

Yet not every health plan should enter the ICHRA market, and not every plan that enters will be competitive. The landscape is solidifying around a small number of aggressive movers. Centene's Marketplace membership grew 29% year-over-year in Q1 2025[1]. Oscar Health reported a 42% revenue increase in the same period, with membership approaching two million lives[1]. The plans on the sidelines are accumulating strategic debt. For a plan with 100,000 small group lives, even a 10% migration represents $14 million in annual revenue exposure per 10,000 lives that leave for another plan.

Strategic debt accumulates each renewal cycle where employers migrate without a corresponding ICHRA strategy, compounding future membership loss and weakening broker and provider positioning. Plans that approach ICHRAs incrementally will underperform those with purpose-built capabilities. ICHRAs are a direct extension of the ACA individual market into employer-sponsored coverage, not a standalone product strategy.

The platform ecosystem is a critical and frequently underestimated competitive differentiator. Seven leading vendors now define distribution, steerage, and ultimately which carrier wins enrollment. The build vs. buy vs. partner decision has material implications for time-to-market, member data rights, and long-term economics.

The risks are real and frequently underpriced. Adverse selection, risk adjustment exposure, and ACA market instability require active modeling before launch, not reactive management after it. Treating risk management as a post-launch activity is not a recoverable mistake.

Health plan leadership must answer key questions addressing market size, product readiness, platform discipline, actuarial rigor, organizational alignment, and regulatory resilience. This is not a product decision, it is a portfolio decision. The degree to which leadership can address these with confidence and data will determine whether this is a durable growth strategy or a costly market experiment.

The ICHRA Tipping Point

ICHRAs were established under a 2019 federal rule that allowed employers of all sizes to offer employees defined-contribution dollars to purchase individual insurance rather than group-sponsored plans. Adoption was modest in the early years; however, this is no longer the case.

The growth is clear.

The HRA Council reported 34% ICHRA growth among applicable large employers (ALEs) and 52% growth among other employer segments between 2024 and 2025[2]. HealthSherpa analysts project that the market could triple again in 2027[3]. Small group premiums increased 11% on average, in 2026, making a defined-contribution solution attractive to business owners with limited means to control costs.

> *"If all employers with fewer than 1,000 employees adopted ICHRA models today, Oscar's targetable market would grow from 21 million addressable lives to 96 million lives."*
>
> — Mark Bertolini, CEO, Oscar Health

ICHRA economics are favorable in a number of markets.

In states and rating areas where individual premiums are lower than small group premiums, ICHRAs offer employers meaningful savings by shifting from employer risk pools to statewide risk pools. An Urban Institute analysis found that, on average, Silver Marketplace premiums were 23% lower than small-group premiums and 15% lower than large-group premiums—creating a structural advantage for carriers with a comprehensive ICHRA strategy. Carriers gain access to larger, more stable pools, which is accelerating investment in the segment.

The ICHRA Paradox:

Volatility in the individual market does not necessarily suppress ICHRA adoption—it can accelerate it as employers look to exit unpredictable group renewals, even as the underlying market becomes more complex.

Plans that understand this dynamic are better positioned to capture migration at scale.

Congress has taken notice.

Legislative interest in expanding or codifying ICHRA's role in the employer benefits landscape will create a tailwind, accelerating further adoption. Health plan leaders should not wait for legislative certainty to bolster their ICHRA capabilities; otherwise, they will find themselves behind the proverbial eight ball.

The individual market is no longer a residual channel. It is an increasingly deliberate strategic destination for employers, employees, and carriers.

ICHRAs Are Only as Strong as the ACA Market Beneath Them

The most underappreciated risk in an ICHRA strategy is the one hiding in plain sight: ICHRAs finance ACA-compliant individual coverage. Every ICHRA enrollee is, by definition, an individual beneficiary. This means the affordability, risk mix, and employee experience are directly tied to the stability of the ACA market in the rating areas where the employer operates.

Plans are effectively underwriting ACA risk through ICHRAs

When a carrier positions itself as the landing plan for ICHRA enrollees, it is accepting the risk profile of the individual market in those geographies. Should premiums rise sharply, risk pools deteriorate, or insurer participation decline, the ICHRA value proposition to employers can erode rapidly. The Robert Wood Johnson Foundation has noted that a cycle of adverse selection into ICHRAs, driven by individual market instability, could be "ultimately self-limiting and potentially fatal for both ICHRA and the individual market as a whole." Plans entering ICHRAs are not just participating in a new distribution model, they are taking direct exposure to the ACA market volatility, often without fully pricing that risk.

ACA subsidy policy directly impacts ICHRA economics

The expiration of enhanced ACA premium tax credits at the end of 2025 drove Marketplace premiums up an estimated 17–30% for 2026. The Congressional Budget Office projected a further 7.7% increase for 2027 and an average annual increase of 7.9% through 2034, absent legislative action[6]. As premiums rise, the employer contribution required to make an ICHRA "affordable" under federal rules increases, and the savings advantage over group coverage narrows.

State reinsurance programs are a hidden subsidy for ICHRAs

In many states, ACA Section 1332 waiver reinsurance programs have lowered individual market premiums below small group rates, making ICHRAs financially attractive. If these programs sunset, rating area economics can shift materially. Plans must model ICHRA attractiveness with and without reinsurance assumptions and monitor program continuity as a leading indicator.

Geographic variation is material and often underestimated

ICHRA options show dramatic state-by-state variation, with individual premiums ranging from 42% less expensive to 123% more expensive than group coverage, depending on location. Top ICHRA friendly states currently include Ohio, Georgia, Indiana, South Carolina, and Mississippi. Plans pursuing a uniform national ICHRA strategy are unlikely to achieve consistent performance, geographic selectivity is not optional.

The Dilemma: Enter, Expand, or Exit

Health plan leaders are at a strategic crossroads: proactive entry into new markets, capability expansion in existing markets, or deliberate exit or avoidance in markets where the economics are not favorable. Each posture carries distinct risk and return profiles. Most plans will default to incremental expansion and underperform as a result.

The market opportunity is real.

If ICHRA enrollment follows projected growth trajectories, conservative estimates place the market in the low millions of covered lives by 2028. Plans with significant small group business face a binary outcome: opportunity or threat. Plans with compelling individual products will likely see ICHRA conversion, while plans not embracing defined-contribution could experience losses to competitors.

Plans with meaningful small group books face measurable exposure. If 10–20% of small group enrollment migrates to ICHRA models by 2028, a conservative estimate, given current adoption curves, the membership loss per plan could run into the tens of thousands of lives. Urban Institute analysis shows average silver Marketplace premiums 23% lower than small group premiums, compressing per member revenue if the plan is the landing carrier, or creating margin loss entirely if the plan is not. For a plan with 100,000 small group lives and an average PMPM of $600 in group vs. $460 in individual, the revenue per member gap is approximately $140 PMPM, a $14 million annual exposure per 10,000 migrating members. The margin implications for plans that are not the landing carrier are immediate and compounding.

Competitive dynamics are solidifying.

Centene has declared ICHRAs a strategic priority, launching a dedicated division and rolling out Ambetter, ICHRA-focused plans across multiple states. Oscar Health, Molina, and others with existing individual market depth are actively marketing ICHRA offerings through their broker networks. Plans that do not develop credible ICHRA offerings and capabilities will face membership erosion and lose positioning across their entire book with competitive broker relationships.

> *"ICHRA is a place that we are very interested in, and thinking about what the market may need relative to overall infrastructure and how we could support that through various partnerships and investments."*
>
> — Sarah London, CEO, Centene

Poor execution is the equivalent of inaction.

Plans that launch ICHRA products without careful thought to plan design, network adequacy, pricing, and platform integration risk adverse selection, poor member experience, and operational costs that undermine the value proposition. Where plans most often get this wrong: repurposing existing individual products rather than purpose-building for ICHRA populations, underinvesting in enrollment support, and failing to stress-test pricing against individual market volatility scenarios. The strategic imperative is to deliberately and thoughtfully enter the market, not to launch and iterate reactively.

Four Diagnostic Questions Frame the Entry Decision

01

Does our current individual market footprint provide the scale to price competitively in target geographies?

02

Do our provider contracts support individual market reimbursement economics, or do we need to negotiate ICHRA-specific terms?

03

Do we have the distribution and enrollment infrastructure to reach employers and employees in a defined-contribution model?

04

What is the financial impact of employer migration from our small group book if we are not the landing carrier for ICHRA enrollees?

Defining a Winning ICHRA Strategy

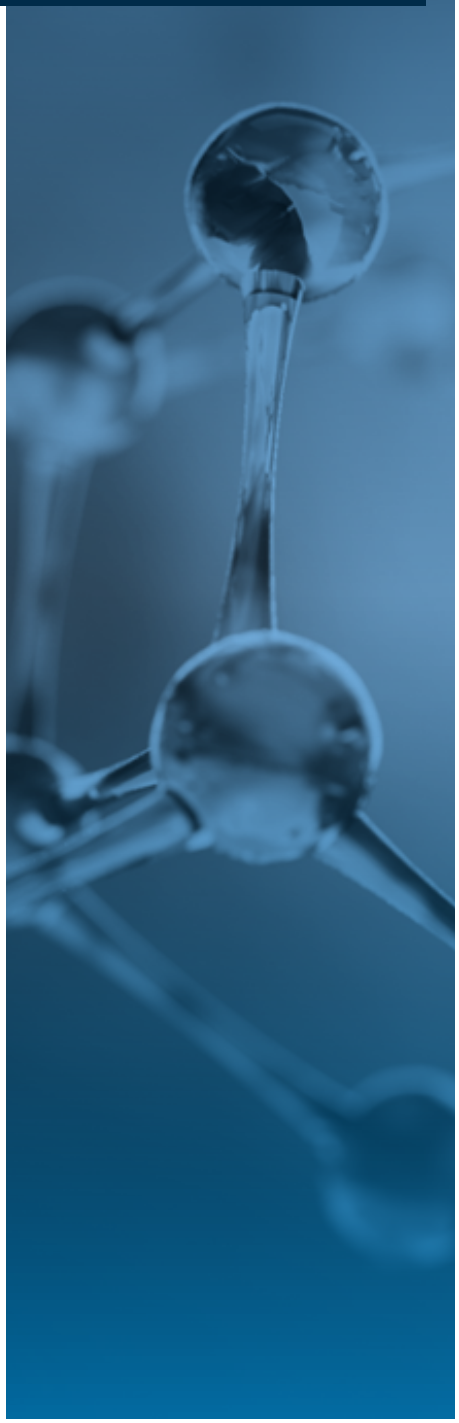
For health plans that determine market entry or expansion is warranted, competitive advantage requires deliberate choices across four dimensions.

Plan designs must be purpose built.

ICHRA enrollees are consumer purchasers navigating a marketplace. Metal-level strategy matters: Silver and Bronze plans dominate ICHRA selection given premium sensitivity, but Gold plans command growing interest in employer segments where contribution levels are robust. Plans that design products for ICHRA populations with clear cost-sharing structures, transparent networks, and strong digital navigation will outperform those that repurpose existing individual products.

Where plans get it wrong:

Over-relying on legacy product architecture and underestimating how differently ICHRA consumers evaluate and select plans compared with group enrollees.



Network design is a competitive differentiator.

Individual plans historically have narrow provider networks and lower provider reimbursement than group products. This creates real leverage in provider negotiations for carriers entering or expanding in the ICHRA segment. However, it also creates employee experience challenges if employees feel constrained provider access. The winning formula is a network design that achieves cost efficiency without creating the perception of inferior access, and communicates that distinction clearly through enrollment tools and member materials.

Geographic prioritization is essential.

ICHRA economics vary substantially by rating area. States and markets where individual premiums are below small group premiums represent the highest-probability growth zones. Plans should focus investments based-on rating area economics, competitive intensity, and broker distribution strength, not pursue a uniform market strategy. This discipline is where most plans underinvest.

Pricing discipline is non-negotiable.

The individual market is characterized by greater price competition than the group market due to subsidy dynamics and comparison shopping. Plans must build pricing capabilities specific to ICHRAs, accounting for new risk adjustment dynamics, ACA subsidy sensitivity, and individual market volatility scenarios, rather than relying on historical group market assumptions.

The Platform Partnership Dilemma

ICHRA administration platforms are a critical infrastructure layer between employers, employees, and health plans. Understanding the landscape and creating smart partnerships are essential to a successful offering and are common sources of competitive advantage or operational failure.

The platform ecosystem is maturing rapidly. The leading platforms each bring distinct capabilities and market positioning:

Platform	Target Segment	Key Differentiator
Take Command	Small Business to Enterprise	Compliance-first, broker-friendly, nationwide
Thatch/Venteur	Small Business to Enterprise	Consumer UX, debit card, speed-to-launch
Remodel Health	Mid-market to Large	White-glove service, ICHRA+ enterprise
SureCo	Small Business to Large	Hixme-rooted tech, carrier marketplace
Zizzl Health	Small Business (<100 employees)	Budget-friendly, LDEx standard adoption
Zorro	Small Business to Mid-market	AI-driven automation, data analytics
HealthSherpa	Broker/Carrier distribution	ICHRA Marketplace quoting and enrollment rails

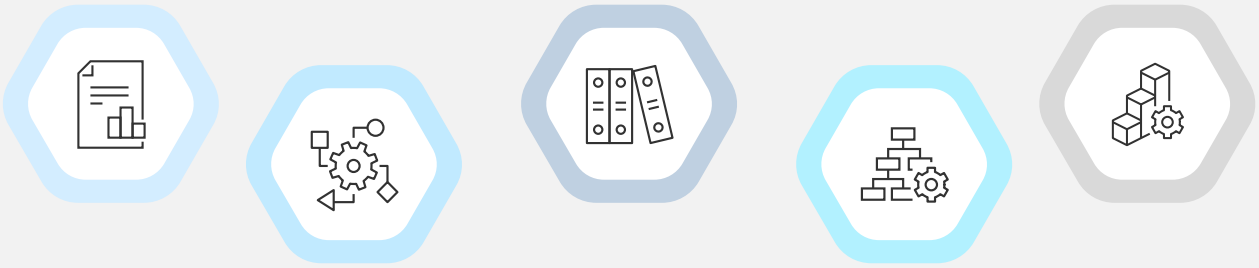
The build vs. buy vs. partner decision hinges on time-to-market and capability gaps. Building proprietary ICHRA administration capabilities in-house is capital and time intensive. Acquiring a platform provides speed but introduces integration complexity and cultural risk. Partnering with established platforms offers the fastest path to market but requires careful structuring to protect plan economics, member data rights, and distribution economics. Plans most often underestimate the complexity of data integration requirements and the platform's influence over which carriers employees ultimately select. Most plans underestimate the degree to which platforms control distribution, steerage, and ultimately which carrier wins enrollment.

Key Criteria for Platform Partnerships

Enrollment and eligibility data integration with the plan's core administrative systems.

Employer education and onboarding capabilities that reduce administrative burden on the plan.

Compliance infrastructure covering notice requirements, affordability calculations, and class-based contribution rules.



Member navigation tools that guide employees toward the plan's products without impeding competitive choice (to manage regulatory risk).

Broker channel alignment—platforms with strong broker relationships extend the plan's distribution reach.

The platform relationship shapes member experience. Platforms that limit plan marketing to specific products reduce employee comparison shopping and can create employee dissatisfaction. Plans must ensure their partnerships preserve the employee experience, maintain retention, and protect Net Promoter Scores. The plans that win in the long-term will be those that treat platform partnerships as strategic relationships, not vendor contracts.

Critical Risks Requiring Attention

The ICHRA opportunity comes with well-defined risks. Health plan leaders who underestimate these exposures will find the economics less favorable than projected.

Adverse selection and risk adjustment exposure are financial concerns.

ICHRA enrollees may skew toward healthier populations, which will trigger risk adjustment payments to plans with higher morbidity. Plans must model risk adjustment exposure under multiple scenarios before setting pricing and contribution assumptions.

Individual market instability is a first-order risk, not a footnote.

The ACA individual market foundation beneath every ICHRA is subject to policy change, subsidy fluctuation, and carrier participation shifts. Plans must model ICHRA economics under scenarios of 10–20% premium increases, reduced insurer participation in key rating areas, and the loss of state reinsurance programs. Strategic debt accrues not only from competitive inaction but also from risk models that fail to account for ACA market volatility, creating a pricing exposure that compounds over time as enrollment scales.

Network adequacy requirements are stringent and state-specific.

Regulators evaluate individual plans on network adequacy standards that vary by state. As ICHRA adoption grows and individual market enrollment increases, provider leverage in contract negotiations will evolve. Plans that are not proactively renegotiating provider contracts may find margins compressed as volume increases.

Employee experience influences client retention.

Employers evaluate ICHRA performance primarily through employee satisfaction. Employees migrating from group coverage may encounter higher deductibles, narrow networks, and greater administrative burden in navigating the individual market. Plans and their platform partners must invest in enrollment support, plan selection tools, and member engagement to neutralize this risk and must benchmark against group plan satisfaction, not individual market norms.

Regulatory and compliance exposures require ongoing vigilance.

ICHRA rules governing permissible employee classes, affordability safe harbors, the interaction between ICHRA affordability and ACA premium tax credits, and state-level benefit mandates create a compliance landscape that is consequential and evolving. A single structural error in an employer's ICHRA class design can disqualify employees from premium tax credits, creating significant legal and reputational risk for the plan and its employer clients.

The Path Forward

The ICHRA market is not waiting for health plans to evaluate the opportunity. Employers are converting. Competitors are scaling. Platforms are signing carrier partnerships. The most valuable exercise a plan can undertake is an honest assessment of whether it can answer the following questions—with confidence, data, and organizational alignment.

Do you know what you stand to lose?

Is your product portfolio ready for ICHRA consumers?

Do you have a platform strategy or just vendor relationships?

Has your actuarial team stress-tested pricing and risk, including individual market volatility scenarios?

Does your leadership team have a shared definition of success?

Are you built to stay ahead of a rapidly shifting regulatory environment?

Organizations that move with deliberation will define the competitive standard. Those that default to watching will find that each renewal cycle compounds their strategic debt, narrowing the window to build a differentiated position.

Plans must internalize that ICHRAs are not a product decision, they are a portfolio decision. The long-term viability of ICHRA will be determined by the stability of the individual market as well as by employer adoption. Plans that build their ICHRA strategy around this reality will be the ones still standing and growing when the market matures. This shift is not reversible through incremental product changes. Plans that misread ICHRAs as a niche product will see their core book erode faster than expected.

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