National Compliance Update
USI EMPLOYEE BENEFITS

September 10, 2026

ICHRAs Renamed CHOICE Arrangements

On September 3, 2026, the Centers for Medicare and Medicaid Services ("CMS") and the U.S. Small Business Administration ("SBA") announced that individual coverage health reimbursement arrangements ("ICHRAs") will now be referred to as CHOICE arrangements. CHOICE stands for a "custom health option and individual care expense" arrangement.

A CHOICE arrangement remains a type of health reimbursement arrangement ("HRA") that allows employers to provide employees with tax-free funds to purchase their own individual health insurance, and, in some cases, other eligible medical expenses, instead of offering a traditional group health plan. Importantly, this announcement reflects a change in terminology only and does not alter the existing legal or compliance requirements applicable to these programs.

CMS and SBA are actively promoting CHOICE arrangements as an alternative health coverage strategy for employers evaluating benefit options during their upcoming enrollment season.

EMPLOYER NEXT STEPS

There are no specific action items because of this name change.

However, employers interested in exploring CHOICE arrangements should be aware that these programs are subject to numerous plan design, eligibility, affordability, nondiscrimination, employee classification, and ACA compliance requirements. As a result, a thorough review should be conducted before implementation to ensure the arrangement aligns with the employer's workforce strategy and compliance obligations.

USI has several resources available to help employers understand CHOICE arrangements and evaluate whether they may be an appropriate solution for their employee population. Employers interested in learning more about these programs should contact their USI service team.

RESOURCES

- https://www.cms.gov/marketplace/employer-initiatives

- https://www.sba.gov/about-sba/priorities/sba-initiatives/healthcare-options-for-small-businesses-choice-arrangements/

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