



360 WELLNESS *Program*

Dedication in providing preventive medicine and
advance holistic care to the American Workforce



OACEUS

This Document Includes:

- ✓ Compliance Guide
- ✓ Implementation Structure
- ✓ Non-Compliant Benefits

Contact us today and learn more about the
OACEUS 360 Wellness Plan.

For more information:

 www.oaceus.com

IMPLEMENTATION GUIDE

A well-implemented wellness plan can have a positive impact on your organization and its employees. By following this compliance guide, you can create and maintain a wellness program that not only improves the well-being of your workforce but also adheres to all necessary legal and ethical standards.



OBJECTIVES

This document provides guidance on ensuring compliance with regulations and standards. This guide outlines steps and best practices to help your organization adhere to the required rules and maintain a state of compliance.

The OACUES 360 Wellness Program is structured to align with the IRS rules, allowing employers to reduce their Federal Insurance Contributions Act (FICA) and Federal Unemployment Tax Act (FUTA) tax liabilities, with participating employees having the potential to lower their income tax burden while gaining extra medical benefits.

SOLUTION

The OACUES 360 Wellness Program is a participation-based wellness initiative that comes with a monthly enrollment fee. It comprises three distinct components: (1) An ERISA-based wellness program, (2) a Self-Insured Medical Expense Reimbursement Program (referred to as the "SIMERP" Program) under I.R.C. §105, and (3) a Premium Only Program (referred to as the "POP" Program) under an I.R.C. §125 Cafeteria Plan. These programs work in tandem to constitute the OACUES 360 Wellness Program and, for reporting purposes, will be included in a company's adopted Wrap document.

An employer adopts the OACUES 360 Wellness Program by signing an OACEUS Wellness Plan Client Master Agreement and a BAA (Business Associate Agreement) for each of the Plans and any relevant addendums. The US HEALTH CENTER serves as the third-party administrator for the adopting employer's Program and receives an administrative fee for managing the Plan. Employees enrolling in the OACUES 360 Wellness Program pay a monthly wellness program premium under an IRC. § 125 POP Cafeteria Plan. Therefore, the employee's payment is on a pre-tax basis. When a SIMERP is included with a Section 125 plan arrangement, the rules of I.R.C. §105 determine whether benefits paid are taxable or nontaxable and the rules of I.R.C. §125 determine whether an employee is taxed as though the individual elected all available wellness medical benefits. Both plans are subject to annual non-discrimination testing.

Reiterating, when an eligible employee decides to engage in the OACUES 360 Wellness Program, the individual is effectively making a yearly selection of benefits which can only be altered under specific conditions outlined in Treasury Regulation §1.125-4. Additionally, for a participant to be eligible for reimbursement, active involvement in the wellness program is necessary. Consequently, employees who opt to participate in the program expose themselves to the possibility of forfeiture under the OACUES 360 Wellness Program at any time by not actively participating. Participants will be reminded (via email, text messages, and/or phone calls) when not meeting participation prerequisites and, as a result, fail to meet reimbursement criteria. In addition, any employee who fails to meet the participation requirements and has received reimbursements for out-of-pocket expenses will be obliged to report those reimbursements as taxable income for the year in which received.

AT A GLANCE

CHALLENGES

- Noncompliant Fixed Indemnity Products
- Understanding that **WIMPER is DIFFERENT**

BENEFITS

- Healthier American Workforce
- Benefits at No Out-of-Pocket Expense
- Employer Advantages
- **Audit Defense Provided**

BENEFITS

1. Eligible Employees

Eligible participants will make an affirmative annual election to participate in the OACEUS 360 Wellness Program by signing a salary reduction agreement and an Employee Understanding authorizing the employer to reduce their paycheck by the wellness program cost. Participants will receive a monthly wellness invoice for this program. OACEUS will draft the employer's account to pay the wellness program costs and provide confirmation of the SIMERP reimbursement due to the employee.

2. Participation

By actively engaging in the OACEUS 360 Wellness Program, a participant qualifies for the reimbursement of their wellness program costs because of receiving direct medical benefits from the plan. These include but are not limited to health assessments, bio-metric screenings, behavioral modification programs, telemedicine, and prescription drug discounts. Benefits are received through active participation. All provided wellness medical benefits are allowable expenses under I.R.C. §213(d). A participant's activity is tracked through the Personal Health Dashboard (PHD).

A participant receiving a reimbursement, through the SIMERP Plan, will result in employee tax savings. The participant will have the option of taking the savings in supplemental products offered, such as life insurance. If an eligible employee elects not to participate in the wellness program, as required under I.R.C. §125, the employee will continue to receive their normal earnings.

3. Application of the Tax Code

The tax implications of the OACEUS 360 Wellness Program are determined by various sections of the Internal Revenue Code, specifically Sections 104, 105, 106, and 125, and 213(d) along with the related Treasury Regulations. Employers have the option to establish a cafeteria plan under Code Section 125 that allows employees to choose from a range of benefits, such as wellness integrated medical plans to supplement their health care coverage.

Salary reductions made to purchase qualified benefits are not considered part of gross income. However, if an employee chooses to receive cash instead, this medical amount becomes taxable. Employer-provided accident and health plan coverage is excluded from an employee's gross income under Code Section 106(a). Reimbursements for employer contributions to an accident or health insurance plan are generally included in gross income under Code Section 105(a), unless they are attributed to "medical care" expenses incurred by the employee, in which case they become non-taxable under Code Section 105(b). "Medical care" is defined in Code Section 213(d) and covers expenses related to the diagnosis, cure, mitigation, or prevention of diseases or for the purpose of affecting any structure or function of the body. After-tax employee contributions that are reimbursed through an accident or health insurance plan are not considered part of gross income under Code Section 104(a)(3).

IRS OFFICE OF CHIEF COUNSEL MEMORANDUM NUMBER 201622031

The IRS Office of Chief Counsel Memorandum Number 201622031, dated April 14, 2016, addressed the exclusion of cash rewards paid to employees for participating in a wellness program, including premium reimbursement. This memorandum stated that although the wellness plan qualified under I.R.C. §§ 105 and 106, the payments were taxable. The reasoning was twofold: first, part of the benefit payments covered benefits that did not qualify as I.R.C. §213(d) medical expenses, and second, the payments did not meet the I.R.C. §105(b) exclusion because participants received benefits whether or not they incurred the expense. The OACEUS 360 Wellness Program, however, is different from the program reviewed by the IRS because it meets both of these disqualifying requirements. All benefits under the program are I.R.C. §213(d) qualified expenses, and employees must actively participate in the OACEUS 360 Wellness Program after completing the salary reduction agreement before receiving any benefit payments. The charge for wellness participation is deducted on a per-paycheck basis under the employer's POP Cafeteria Plan.

OACEUS 360 WELLNESS PLAN IS MEDICAL CARE NOT A FIXED INDEMNITY PLAN

IRS OFFICE OF CHIEF COUNSEL MEMORANDUM NUMBER 201703013

IRS Office of Chief Counsel Memorandum Number 201703013, dated December 12, 2016, addressed the tax treatment of benefits paid by a fixed-indemnity health plan. The memorandum concluded that an employer cannot exclude from an employee's gross income payments made under an employer-provided fixed indemnity health plan if the value of the coverage was already excluded from the employee's gross income and wages. However, it's important to note that this ruling does not apply to the OACEUS 360 Wellness Program because the **OACEUS 360 Wellness Program is not a fixed indemnity health plan**. The IRS Chief Counsel's analysis also confirmed that the value of coverage provided by an employer-provided wellness program that offers medical care, as defined under §213(d), is generally excluded from an employee's gross income under §106(a), and any reimbursement or payments for medical care (as defined under §213(d)) provided by the program are excluded from the employee's gross income under §105(b). This statement effectively summarizes the operational principles of the OACEUS 360 Wellness Program.