

WIMPER Program Overview

Introduction to 1st Capital Financial's All-New Wellness and Integrated Medical Plan Expense Reimbursement (WIMPER) Program





WIMPER PROGRAM OVERVIEW

What's a WIMPER Program?

A <u>Wellness and Integrated Medical Plan Expense Reimbursement (WIMPER)</u> program is an innovative tax strategy that yields an immediate reduction of payroll expenses for employers and access to health and wellness benefits at zero net cost for employees.

Did you know the U.S. government could save \$5.60 on healthcare for every dollar invested in preventative care programs?

<u>Source</u>





WIMPER PROGRAM STRUCTURE

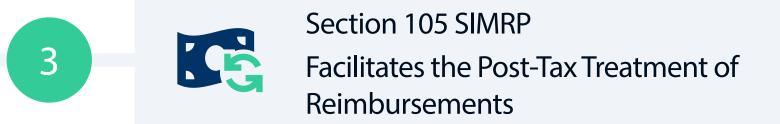
Four-Part WIMPER Program Structure

WIMPER Programs are comprised of a Section 106 Wellness Plan, a Section 125 Cafeteria Plan, a Section 105 Self-Insured Medical Reimbursement Plan (SIMRP), and a qualified health plan.



See additional information on the next slide.









WIMPER PROGRAM STRUCTURE (CONTINUED)

• The value of the Section 106 Wellness Plan is a pre-tax eligible deduction. This deduction from employees' gross wages is addressed in Internal Revenue Code (IRC) § 106(a) and further explained in Chief Counsel Advice (CCA) Memorandum 201703013.

The value of coverage by an employer-provided wellness program that provides medical care (as defined under § 213(d)) generally is excluded from an employee's gross income under § 106(a), and any reimbursements or payments for medical care (as defined under § 213(d)) provided by the program is excluded from the employee's gross income under § 105(b).

CCA Memorandum 201703013

- The Section 106 Wellness Plan and Section 105 SIMRP are designed for compliance. The Section 106 Wellness Plan, powered by Amaze Health, and Section 105 SIMRP are designed to comply with all IRS guidance, ACA, ADA, ERISA, HIPAA regulations, and related legislation.
- The integration of a qualified health plan is a key component. A Section 105 SIMRP is paired with an Affordable Care Act (ACA)-approved qualified health plan to establish what's called an "integrated 105 plan."
- Post-tax reimbursements are tax-excludable. Reimbursements and payments for medical care expenses, as defined in IRC § 213(d), are excluded from employees' gross wages under IRC § 105(b). This treatment is further explained in IRC § 104(a)(3) and CFR § 1.105.11.*
- Deductions and reimbursements are allowed. The pre-tax deduction and reimbursement amounts are based, in part, on the Department of Health and Human Services's (HHS's) report from July 2016, the national average total monthly cost of benefits, and fair market value of IRC § 213(d)-compliant preventative services provided through a Section 106 Wellness Plan. All IRS guidelines and related legislation are also considered in the utilization of benefits and combined with a Section 125 Cafeteria Plan.

Related Legislation

Wellness Plan

IRC §§ 104(a)(3), 105(b), 106(a), 125, and 213(d), HIPAA, and CFR § 1.105.11

Medical Care Expenses IRC § 213(d) and ACA

Pre-Tax Treatment IRC §§ 106(a), 125, and 213(d)

Post-Tax Treatment IRC §§ 104(a)(3), 105(b), and 213(d), and CFR §§ 1.105.11(i), 1.105.11(k)(1), and 1.105.11(k)(2)

* Note that the reimbursement guidelines are elucidated in 1st Capital Financial's Section 105 SIMRP plan documentation.



WIMPER Program Eligibility





WIMPER Program Paycheck Calculations

Work State	VA
Annual Pay (Calculated at 95%)	\$39,520.00
Federal Withholding	M 0
Total for Lines 3 and 4(b) on IRS Form W-4	0

Pay Frequency	Biweekly
Biweekly Pay (Calculated at 95%)	\$3,293.33
State Withholding	M 0
IRS Form W-4 Version	2020

	Example of Calculations With and Without a Wellness Plan		
	Without Wellness Plan	With Wellness Plan	
Gross Pay	\$3,293.33	\$3,293.33	
Pre-Tax Deductions Wellness Plan	(\$0.00)	(\$1,220.00)	Value Deducted from Taxable Pay
Taxable Pay	\$3,293.33	\$2,073.33	
Statutory Deductions Federal Withholding State Withholding Social Security Medicare	(\$395.20) (\$189.36) (\$204.18) (\$47.75)	\$2,073.33 (\$248.80) (\$120.36) (\$128.54) (\$30.06)	Employer's FICA Savings = \$93.33
<u>Adjustments</u> Wellness Plan	\$0.00	\$1,220.00 (\$527.76)	Benefit Reserve = \$308.73/Month
Total Taxes PCM After Taxes Net Pay	(\$836.49) \$0.00 \$2,456.84	(\$527.76) (\$308.73) • \$2,456.84 • • • • • • • • • • • • • • • • • • •	Zero Net Cost to Employee







WIMPER Program Ancillary Benefits

Benefit Reserve = \$308.73/Month

Benefit Reserve \$308.73 Wellness Plan (\$89.00) Remaining \$219.73

Employees apply their remaining balance toward ancillary benefits they select.*

Best of all, these benefits will not affect employees' existing coverage.

Short-Term Disability

State disability pays about 50% of policyholders' gross incomes. A short-term disability policy will cover the difference to get policyholders close to 72% (the maximum allowed), equal to about \$600 per month in additional disability coverage. This policy can be used for off-the-job injuries and illnesses.

\$26.87 (Cost/Month)

Critical Illness With Cancer

A critical illness with cancer policy offers a guaranteed-issue lump sum of \$10,000 with no underwriting questions. This policy pays out the entire amount immediately upon policyholders' diagnoses.

\$13.78 (Cost/Month)

Hospital Insurance

A hospital insurance policy provides \$2,000 for admission over 24 hours and \$200 per day for confinement.

\$30.50 (Cost/Month)

Accident Insurance

An accident insurance policy will cover any accident on or off the job. It offers a schedule of coverage based on the treatments policyholders receive due to an accident, such as \$2,000 for their first 24 hours in a hospital and \$500 per day for up to 365 days. Both amounts double if policyholders are confined in the Intensive Care Unit (ICU). Additional coverage may apply for ambulances, Emergency Rooms (ERs), surgeries, and more.

\$18.11 (Cost/Month)

Life Insurance

A life insurance policy is guaranteed-issue, so there are no underwriting questions. It is also a whole life policy to age 95 with a face value of \$143,902. This policy also accrues cash value, so policyholders may borrow against or withdraw these funds.

\$112.68

^{*} Note that the ancillary benefit options listed are for illustrative purposes only.



ACA-Approved MEC Plan

	Minimum Essential Coverage (MEC) Plan
Medical Benefits	
Wellness and Preventative	Covered at 100%
Primary Care Visits	\$15 Copay Unlimited
Specialist Visits	\$15 Copay Unlimited
Urgent Care Visits	\$50 Copay Unlimited
Laboratory Services	\$50 Copay Unlimited
X-Rays	\$50 Copay Unlimited
MEC Companion Discount Card	
Dental	Included
Vision	Included
Durable Medical Equipment	Included
Diabetic Supplies	Included
Fitness	Included
X-Rays	Included



WIMPER Program Outcomes

Reduce Labor Costs

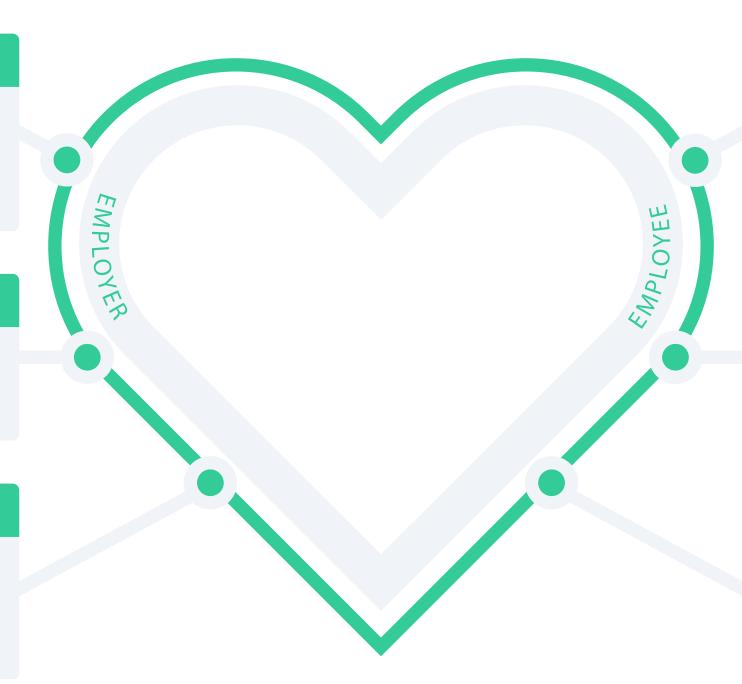
Employers reduce their payroll taxes up to \$900 per employee per year and save up to 30% on workers' compensation insurance.

Save on Healthcare

Employers save an additional 8-15% on their total healthcare spend.

High Opt-In Rate

Employers typically see 80-100% participation versus 10-30% participation with traditional Section 125 Cafeteria Plans.



Engagement, Productivity, and Well-Being

Employees' engagement, productivity, and overall well-being are notably improved.

Additional Benefits at No Net Cost

Employees receive additional health and wellness benefits with no impact on their net take-home pay.

Less Paid Sick Leave (PSL)/Paid Time Off (PTO)

Employees are typically happier, healthier, and less likely to take PSL and PTO. This includes up to 50% fewer UC visits and 40% fewer ER visits.







Amaze Health's Wellness Platform



Prevention

- **Health Education**
- Health Risk Assessment(s)
- Virtual Primary Care (Screening, Chronic Condition Management, Etc.)



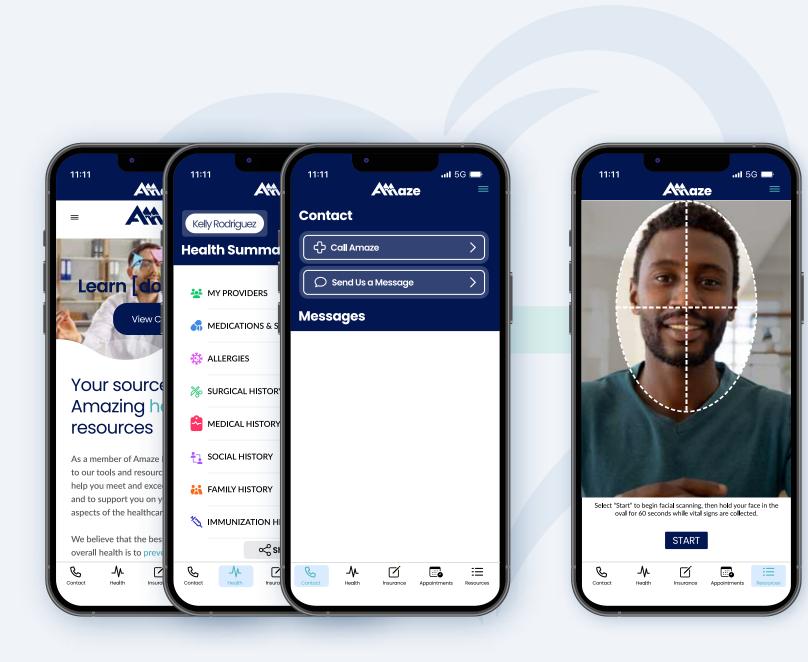
When Illness and Injury Strike

- Acute Care
- Chronic Care
- Mental Health Services
- Specialty Consultations (Dermatology, Orthopedics. Etc.)



When Local, Hands-On Care Is Needed

- **Patient Navigation**
- Visit Preparation
- Cost Management
- Follow-Up and Support



Amaze Health Mobile App



Amaze has become the go-to resource for all our team's health and medical needs. As an HR manager, I could never have imagined that a virtual health and medical service could be a powerful employee retention tool, but that's what we hear from our employees all the time.

Kristin Courtney HR Director at W.E. O'Neil Construction of Colorado



WIMPER Program Proposal Example

Employee	Monthly
Average Post-Tax Allotment	\$207.50
Total Post-Tax Allotment	\$18,882.80

Employer	Annual
Average Tax Savings	\$637.67
Total Tax Savings	\$74,499.00

Employer	Annual
Average Payroll Reduction	\$14,640.00
Total Payroll Reduction	\$1,332,240.00 •

Total Payroll Pct.
Reduction = 23.79%

			Employee			Employer							
ID	Last Name	First Name	Monthly Gross Tax Savings	Monthly Fee	Monthly Net Post-Tax Allotment	Annual Gross Tax Savings	Monthly Fee	Annual Net FICA Savings	Annual Payroll Reduction	Annual Payroll Pct. Reduction			
1	A1	B1	482.15	89.00	393.15	1,119.96	40.00	639.96	14,640.00	3.08%			
2	A2	B2	277.19	89.00	188.19	1,119.96	40.00	639.96	14,640.00	25.68%			
3	A3	B3	399.19	89.00	310.19	1,119.96	40.00	639.96	14,640.00	9.34%			
4	A4	B4	323.55	89.00	234.55	1,119.96	40.00	639.96	14,640.00	7.01%			
5	A5	B5	449.56	89.00	330.56	1,119.96	40.00	639.96	14,640.00	12.50%			
6	A 6	B6	481.17	89.00	392.17	1,119.96	40.00	639.96	14,640.00	6.56%			
7	A7	B7	349.33	89.00	260.33	971.16	40.00	491.16	14,640.00	8.56%			
8	A8	B8	419.68	89.00	330.68	1,119.96	40.00	639.96	14,640.00	14.23%			
9	A9	B9	310.49	89.00	221.49	1,119.96	40.00	639.96	14,640.00	5.60%			
10	A10	B10	219.46	89.00	130.46	1,119.96	40.00	639.96	14,640.00	77.05%			
11	A11	B11	317.81	89.00	393.15	1,119.96	40.00	639.96	14,640.00	12.33%			
12	A12	B12	423.58	89.00	334.58	1,119.96	40.00	639.96	14,640.00	10.57%			
Group Administrator: 1st Capital Financial, Inc. Company: ABC Company, Inc.										npany, Inc.			



WIMPER Program Census Report Example

	Employees (General Information)					Confidential Tax Information								Current Deductions						
							Personal		Federal			State								
	Last Name	First Name	Department/Employee No. (If Applicable)	State	Marital Status	Gross Annual Taxable Wages	Pay Frequency	Federal W-4 Marital Status	W-4 Version Year	Dependents Claimed (If 2019 or Earlier)	Is line 2(c) checked on W-4?	Total for Line 3 on W-4 (lf 2020)	State Marital Withholding Status	State Withholding Dependents	Group Health Monthly Employee Contribution	Are group health contributions pre-tax?	Other Pre-Tax Monthly Deductions	Post-Tax Monthly Deduction, Health-Related	Pre-Tax Monthly Deduction, 401(k)/IRA	Other Post-Tax Monthly Deductions
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2																				
3																				
4																				
5																				
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WIMPER Program Roadmap

Employee Enrollment

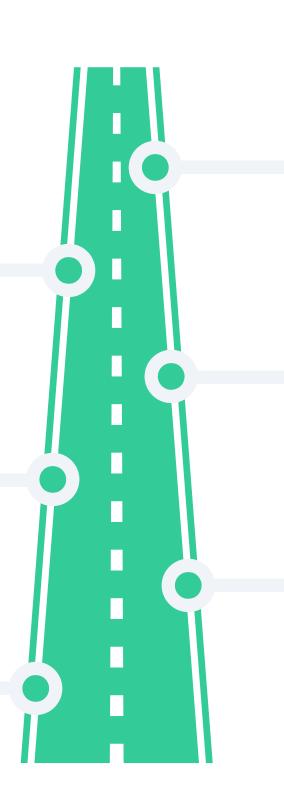
We offer a variety of automated, virtual, and, in some cases, on-site enrollment options. We'll have already formulated the best approach for your business at this stage.

WIMPER Program Proposal

After receiving your business's employee census report, our team will prepare a comprehensive proposal highlighting your business's savings, employees' allotments, and other related benefits.

Discovery Call

The first step is to book a discovery call with our team. This call is an opportunity to get to know our team, get your questions answered, and help us better understand your business's needs and prospective savings.



WIMPER Program Active

Employees' benefits kick in on the first day of the benefit month while your savings will start the first payroll period. We'll also provide ongoing support services to you and your business.

WIMPER Program Launch

Our team will work with your business to determine an enrollment strategy and a launch date, ensuring seamless and compliant integration.

Employee Census Report

We'll provide an exhaustive template for you to complete for your business and its employees. Our CPAs and other accounting professionals are happy to assist you if needed.



WIMPER Program Compliance



Plan Documents

Employers are provided with a Preventative Care Management Program (PCMP) document detailing the benefits of the WIMPER program, relevant tax codes, and legislation. All benefits are IRC § 213(d)-compliant, allowing for the preand post-tax treatment of the wellness plan premium.

Section 125 Plan

The wellness plan leverages a Section 125 Cafeteria Plan funded under IRC § 106(a), which allows for the pre-taxing of IRC § 213(d)-eligible medical care expenses.

Section 105 SIMRP

A Section 105 SIMRP is the vehicle used to reimburse participating employees dollar-for-dollar, resulting in no net cost. Reimbursements are not based on claims but rather on the benefits described in employees' plan documentation.

Questions? We've Got Answers.



