

**Executive Presentation**

**BY**



**LLH Healthcare**

TOOLS FOR HEALTHIER LIVES



# WHAT WE DO



LLH Healthcare provides  
Preventative Health Management  
Plans to large employers



**LLH Healthcare**  
TOOLS FOR HEALTHIER LIVES





# OUTLINE



**Market History**



**LLH Solution:  
Cash Flow & Taxation**



**LLH Solution:  
Plan Details**



**Summary**



# TAX SAVINGS FUNDED WELLNESS MARKET - PRE 2018



## Problem

The US workforce is unhealthy and trending in the wrong direction leading to spiraling government health costs and lost productivity



## Cause

Reactive Healthcare not designed to prevent unhealthy habits leads to obesity, diabetes and other long term chronic illnesses



## Solution

Affordable Care Act allows preventative care to be deducted pretax in effort to promote **“Pennies now not dollars later”** approach



## Result

Wellness Insurance plans take advantage of tax savings to pay for preventive **“Wellness”**



# CHALLENGES WITH EARLY MARKET SOLUTIONS



No Risk Transfer



Not tied to individual actions or CPT codes



Designed to maximize tax benefits with little to no actual health and wellness benefits



Not Approved by departments of Insurance at the State level



IRS not pleased and begins to define Health & Wellness policies



Not Insurance



# IRS FINAL GUIDANCE



IRS Memo #201719025,  
Released May 12, 2017  
Title: Tax Treatment of Benefits Paid by  
Self-Funded Health Plans



Plans are not “insurance” for tax purposes because they do not involve shifting risk



The plan is self-funded (employer owned) and not fully-funded outside insurance



Self-funded insurance results in transactions between closely related parties

**Office of Chief Counsel  
Internal Revenue Service  
Memorandum**

Number: 201719025  
Release Date: 5/12/2017  
CC:TEGE:EB  
PRESP-104172-17

UILC: 105.00-00, 104.00-00, 106.00-00

date: April 24, 2017

to: Jeremy Fetter, Area Counsel  
CC:TEGEDC:DAL

from: Stephen B. Tackney  
Deputy Associate Chief Counsel (Employee Benefits)  
CC:TEGE:EB

subject: Tax Treatment of Benefits Paid by Self-Funded Health Plans

This Chief Counsel Advice responds to your request for assistance. This advice may not be used or cited as precedent.

**ISSUE**

Is a benefit paid under an employer-provided self-funded health plan included in income and wages if the average amounts received by the employees for participating in a health-related activity predictably exceed the after-tax contributions by the employees?

**CONCLUSION**

Yes, the amounts are included in income and wages for reasons including, but not limited to, one or both of the reasons listed below. As a result, the exclusion from gross income under section 104(a)(3) does not apply to the amounts received by the employees.

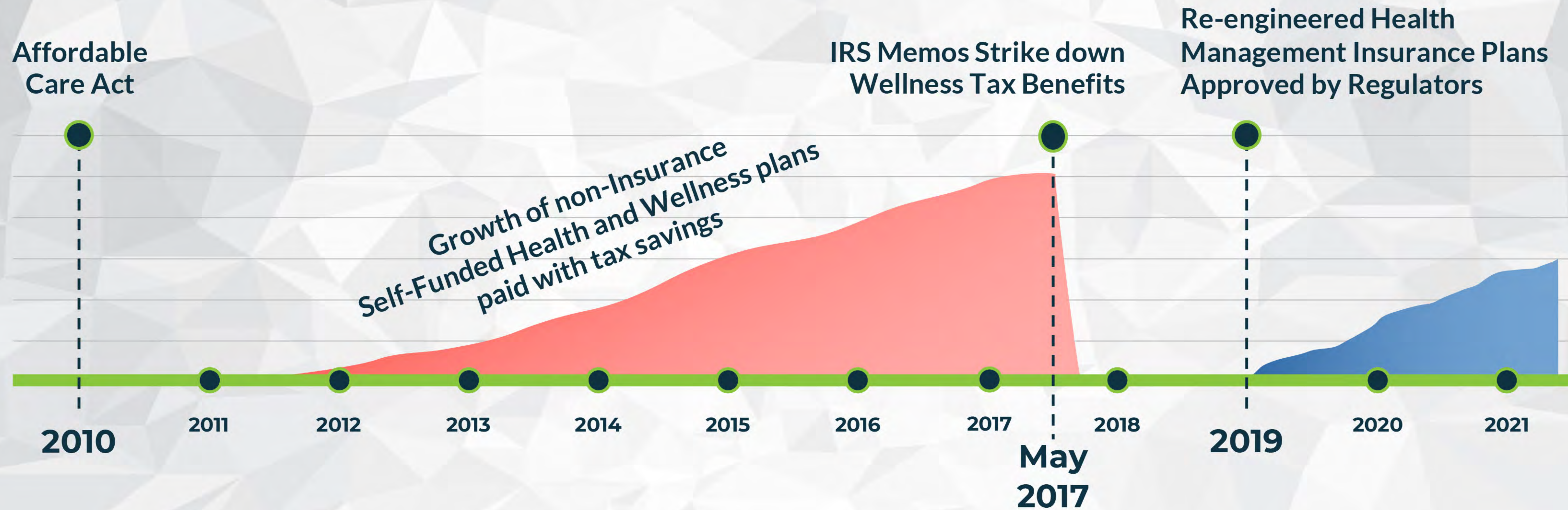
- (1) The employer-provided self-funded health plan does not involve insurance risk, and accordingly, is not insurance (nor does it have the effect of insurance) for federal income tax purposes (including section 104(a)(3)).
- (2) The ratio of the average amounts received by the employees for participating in health-related activities to the after-tax contributions by the employees



# GAME OVER ... AND REBIRTH



## Preventative Health Management Industry Trends





# LLH SOLUTION CASH FLOW & TAXATION



Preventative Health Plan Paid  
Pre-Tax Reduces Taxable Income



Tax Savings Pays Full Cost of Plan and  
results in Larger Employee Paycheck



Lower Taxable Income  
Reduces FICA for Employer







# PRODUCT ARCHITECTURE



## Employee Preventative Health Management Plan



**Carrier based - fully funded - limited benefit medical plan**

- State licensed insurance plan
- Actuarial Certified



**Compliant with IRS guidance**



**Fully compliant with long standing Section 125 guidelines**



**Premium deducted pre-tax**



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# LEGAL DUE DILIGENCE



## Tax Adviser: **Stefanik Iosue & Associates, LPA**

- Nationally Recognized legal firm
- Specializing in tax and health insurance
- Headquartered in Cleveland Ohio



SIA legal opinion specific to you provided



Lawyer/accounting conferences



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# REPORTING & TAX HANDLING



Medical claims payment reporting not required



Employee claims taxable in some cases



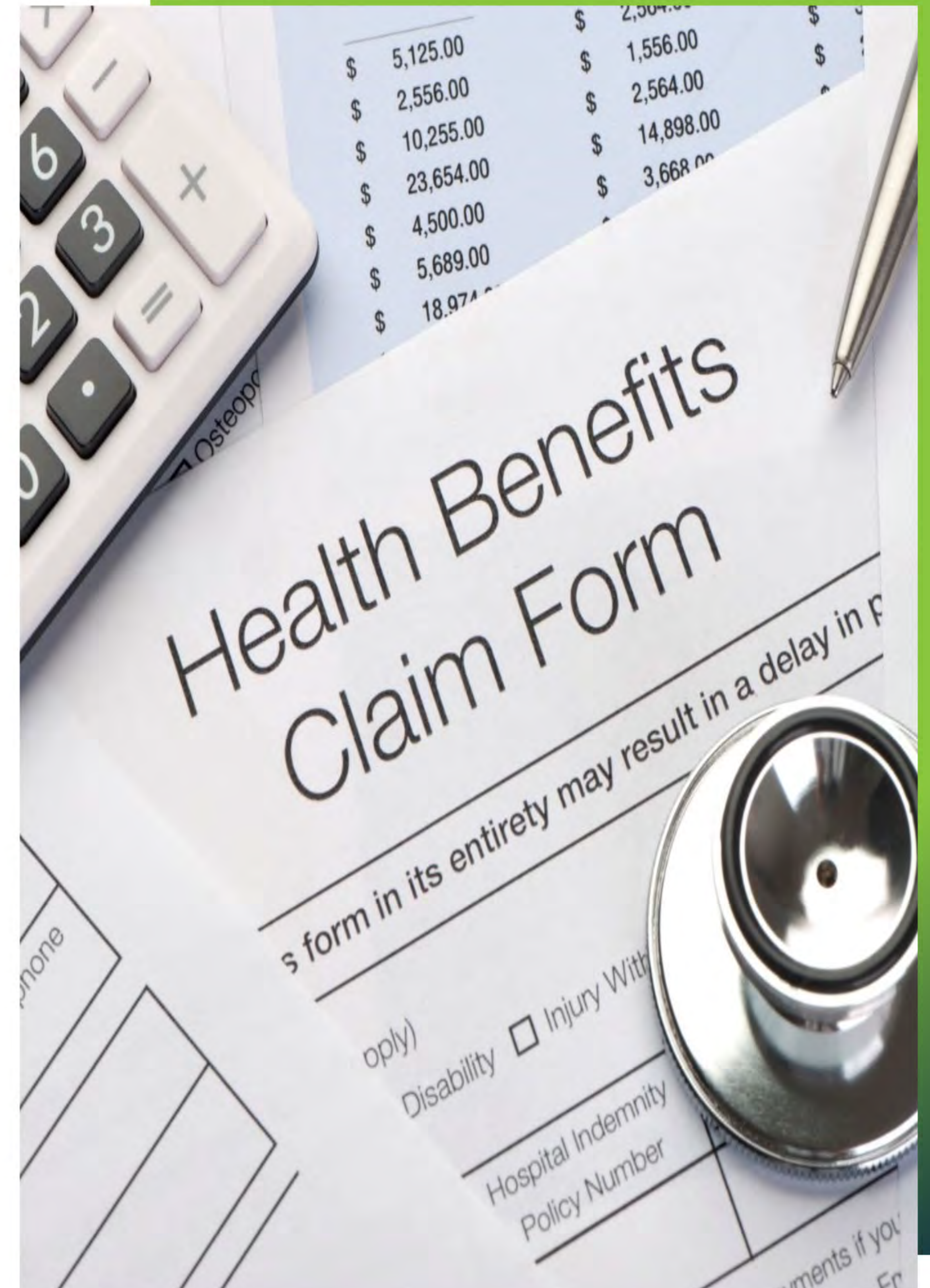
Real world liability reduced by out of pocket medical expenses



Annual average out of pocket medical expenses for US Median is over 6k



Employer/employee tax advise hotline with Stefanik Iosue & Associates tax expert





# IMPLEMENTATION PROCESS



- **Closing and Setup - 2-4 weeks**
  - Signed Master Service Agreement
  - Insurance Underwriting
    - Application
    - Underwriting/Approval
  - Payroll Census Setup
    - Code setup for Premiums & Claims
    - Outgoing Census Setup
    - Incoming Deduction File Setup
    - Deduction Submittal Reporting
- **Enrollment - 4-8 weeks**
  - Distribution of Print Media
  - Staff Training
  - Employee Communications
  - Electronic Account Activation
  - First Payroll Processed
    - Premiums Deducted
    - Claims Paid
  - Followup Issue Resolution
  - Ongoing Support



# LLH SOLUTION – PLAN DETAILS



## Supplemental to Major medical



## Fixed Indemnity Payment Included in Paycheck

- Claim, Paid by Carrier, Included in Paycheck
- Digital and Online Wellness Coaching – 100% participation
- Traditional Healthcare Added Benefits:
  - Annual Assessment, Wellmetrics Home Test Kits, Telemedicine, Mental & Behavioral Health, Behavioral Change Paths, Dashboard



## Fixed Indemnity Claims Filed Directly With Carrier

- Claims Filed and Paid Between Employee and Carrier
- Ambulance (\$100), Hospital Admission(\$500), Daily Hospitalization(\$200/day, 30 days), Emergency Room(\$100)



# EMPLOYEE USAGE



## Passive usage



100% every month



Receive Email, text message, file a claim



Managed by LLH

## Beyond passive usage



Initially ~10% of enrolled will use (coupon clippers)



After one year ~60%





# THANK YOU



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