

Champion Health Overview

The Champ Plan™ Description and Benefits

The Champ Plan™ is not a traditional wellness plan nor a reimbursement plan. Therefore, Section 105 of the Internal Revenue Code is not applicable towards this plan. The CHAMP Plan™ is a complementary healthcare plan that overlays the traditional benefit plan. It is a cafeteria plan as provided under section 125 of the Internal Revenue Code. It is set up as a self-funded employer sponsored plan that is completely funded (100%) funded by the employees through a pre-tax payroll deduction. The amount deducted represents the maximum claims for the policy year. A Third-Party Administrator (TPA) holds the money deducted in a custodial account and pays claims as they incur in accordance with the plan document and the schedule of benefits.

A claim is defined as:

Claims made to Providers Claims made to Facilities:

Payments of claims made to an employee are the result of an applicable CPT code which has a corresponding explanation of benefits (EOB). Examples of these claims are preventive examinations, biometric screens, health risk assessments, risk resolution assessments, chronic medication fulfillment, using telemedicine, and others.

Claims paid to employees are not taxable nor considered ordinary income. The premium amount charged to employees is set based on actuarial calculations to cover the claim risk for the plan while meeting a desired medical loss ratio (MLR).

The program is divided into (3) categories:

1. Claim Funding. An employer sponsored self-funded health plan is set-up to overlay the traditional medical plan. The plan covers primary care visits, urgent care visits, and pharmacy for prevention and acute care at \$0 cost share for the employee. The plan is completely (100%) funded by the employees through a Section 125 cafeteria plan. The cost of the plan is \$1,200.00 per month on a pre-tax basis. The \$1,200.00 is ceded into an account of claims administered by a Third-Party Administrator (TPA) to process, adjudicate, and pay claims. In the plan document and the benefits schedule, the definition of a claim covers two (2) criteria: 1) claims paid to providers, and 2) claims paid to employees.

A claim is triggered by an applicable CPT code and the creation of an explanation of benefits (EOB). Each month, the employee will receive a tax-free \$1,130.00 claim benefit. The balance of \$70.00 is used to pay for other covered benefits as they incur.



2. Program Cost. A premium of \$120.00 is paid on a post-tax basis to cover all program enhancements. It includes but not limited to:

- Predictive Modeling Platform
- Enrollment Benefit Counseling Support
- Consumer Technology App

3. Administration Cost. There is a \$44 per enrolled per month cost funded by the employer. This fee covers but not limited to:

- Program Fees
- TPA Fees
- Network Fees

Self-Funded group health plans are regulated by applicable federal laws including, but not limited to, Employee Retirement Income Security Act (ERISA), Health Insurance Portability and Accountability Act (HIPAA), Consolidated Omnibus Budget Reconciliation Act (COBRA), the Americans with Disabilities Act (ADA), and various budget reconciliation acts such as Tax Equity and Fiscal Responsibility Act (TEFRA), Deficit Reduction Act (DEFRA), and Economic Recovery Tax Act (ERTA).

The CHAMP Plan™ is a Self-Funded, Limited Medical Benefit plan that is provided by Champion Health, Inc. Like any other Limited Medical insurance plan, benefits payable to an insured under the plan are predetermined as per the Schedule of Benefits. Limited Medical Claims paid cannot be more than what has been predetermined within the CHAMP Plan™ Schedule of Benefits.

The CHAMP Plan™ is priced to fully fund limited medical claims and to pay for the administrative costs of the plan. Because all claims are specifically limited to the benefits detailed within the Schedule of Benefit, there is no possibility of an employee exceeding their specified benefit.

The CHAMP Plan™ provides a Minimum Essential Coverage (MEC) as ala carte for the employee as a supplement to employers. It is an insurance coverage that meets the minimum requirement coverage by the Affordable Care Act (ACA). As defined by the Department of Health and Human Services (DHHS), a self-funded group health plan for employees that provides at least 100% coverage for Preventive Services satisfies the ACA requirements.

CHAMPION HEALTH FAQs

Q. Is the CHAMP Plan compliant?

A. **YES.** The CHAMP Plan is not a wellness plan nor a reimbursement plan. Therefore, Section 105 is not applicable towards this plan. The CHAMP plan is a complementary healthcare plan that overlays the traditional benefit plan. It is a qualified Section 125 cafeteria plan. It is set up as a self-funded employer sponsored plan that is 100% funded by the employees through a pre-tax payroll deduction. The amount deducted represents the maximum claims for the policy year. The Third Party Administrator (TPA) holds the monies in a custodial account and pays claims as they incur in accordance with the plan document and the schedule of benefits. The definition of a claim is defined as 1. Claims made to Providers, 2. Claims made to Facilities, 3. Claims made to Pharmacies, and 4. Claims made to Employees. Claims made to employees are triggered when an applicable CPT code is triggered with a corresponding explanation of benefits (EOB). Examples of these claims are preventive examinations, biometric screens, health risk assessments, chronic medication fulfillment, etc.. **Claims made to employees are not taxable nor considered ordinary income.** The amount of premium charged to the employees is actuarially set to cover the claim risk on the plan while meeting a desired medical loss ratio (MLR). At the end of the plan year and the runout period, any surplus left in the claim account is considered a plan asset to the employer.

Q. Does participation in the CHAMP disqualify me from participating in my traditional High Deductible Health Plan w/an HSA?

A. **NO.** The CHAMP Plan is a separate medical plan with it's own plan document and benefit schedule. Any claim processed through the CHAMP will follow suit in accordance to those outlined rules. Claims processed through the traditional HDHP w/HSA will need to meet the minimum first dollar cost share requirements by the employee to remain qualified.

Q. Does the CHAMP plan meet the definition of Minimum Essential Coverage (MEC)?

A. **YES.** The CHAMP Plan is an employer sponsored health plan and meets the definition of Minimum Essential Coverage.

How the Math works

The CHAMP plan works through a deduction of \$1,200 out of each eligible employee's paycheck on a pre-tax basis. This amount is then used to pay for the employee's use of The CHAMP plan. This results in a lower taxable income for the employee, which in turn results in a lower tax bill. The employer also benefits from this arrangement by saving on payroll taxes.

Each month the employer will be sending Champion Health the net withholdings of \$190 from the employee's paycheck and \$44 from the employer for an administration fee. This results in a total monthly ACH from the employer to Champion Health of \$234 per employee per month.

The CHAMP plan generates a total payroll tax savings to the employer of \$91.80 monthly (\$1200 employee pre-tax) * 7.65%.

$$\begin{aligned} & \textbf{\$190} \text{ / employee / month} \\ & \textbf{Employee Contribution} \\ & \text{*\$70 Pre-tax contribution to MEC Claims} \\ & \text{Fund + \$120 post-tax contribution to Health} \\ & \text{Population Management Claim Fund} \\ & + \\ & \textbf{\$44} \text{ / employee / month} \\ & \textbf{Employer Administration Fee} \\ & = \\ & \textbf{\$234} \text{ / employee / month} \\ & \textbf{Total monthly ACH from CITY} \\ & \textbf{OF NORTH LITTLE ROCK to} \\ & \textbf{Champion Health} \end{aligned}$$