FREQUENTLY ASKED QUESTIONS

Coverage

How much does the ***GAP+*** plan cover?
What does the ***GAP+*** plan cover?
What does the ***GAP+*** plan NOT cover?
Does the ***GAP+*** plan cover out-of-network claims?
What if the employee is on an HSA plan?

Participation

How does the employee qualify for the ***GAP+*** plan?
Can employees cover their dependents?
What kind of employee does not qualify for this program?
Are there participation requirements for an employer group?

Health Risk Management (HRM) & Claims Payments

How much is the monthly HRM payments and how do the employees qualify?
How are the monthly HRM payments not *Too Good To Be True*?
How does this ***GAP+*** plan produce a zero net cost (and a monthly "net profit" for the employees?
How and when does the employee receive the monthly HRM payments?
What if the employee is not available (onsite) to do the biometric exam?
How does the employee submit a claim for reimbursement?
Is this a SIRP (Self-Insured Reimbursement Program)?

FICA Tax & Workers' Comp Savings For The Employer

How does the employer save money on their FICA taxes?
How does the employer save on Workers' Comp?
Are there any administrative fees that carrier charges?
How can the carrier afford to do this?

Enrollments

How does the ***GAP+*** plan get enrolled?

Broker-Related Questions

How can I show a broker how much commission they can make on this Gap+ Plan?
How long has the carrier been in business?
What other products does the carrier have?
How much annualized premium does the carrier have on the books?
How much annualized ***GAP+*** plan premium does the carrier have on the books?
What is the total amount the carrier has in reserve?
What is the carrier's current reserve-to-claims liability ratio?
What is the carrier's historical claims-to-net-premium ratio?
What is the carrier's rating?
How to you get contracted as a broker/agent?

ANSWERS

Coverage

How much does the GAP+ plan cover?

We typically use the $5,000 in-patient and $2,500 outpatient combination of benefits, however there are various gap coverage amounts available... $500-$10,000 for in-patient, and $250-$5,000 for out-patient services. This is very different than a standard hospital indemnity plan.

What does the GAP+ plan cover?

Unlike a hospital indemnity plan that only covers expenses if you get admitted into the hospital, this is a TRUE gap plan that covers MORE than just hospitalization. It covers out-patient claims as well – things that your major medical insurance doesn't cover in FULL – including claims that apply to the deductible and coinsurance (ie: lab work, x-rays, urgent care services, etc.). What makes this gap plan unique is that it also has a Health Risk Assessment benefit, and in times like these where people are hyper-concerned about their health, this is an incredibly valuable benefit. Long story short, the program just gives employees better overall coverage.

What does the GAP+ plan NOT cover?

The Gap Plan does not cover doctor visit copays and prescription drug copays.

Does the Gap Plan cover out-of-network claims?

On a standard major medical insurance plan, if the employee received medical services done by an out-of-network provider or facility, their out-of-pocket expenses are greater than services performed by their in-network benefit providers.

For example, their doctor might be in-network, but the hospital or surgery center might be out-of-network, which would result in substantially higher out-of-pocket costs for the employee. Or, the surgery center might be in-network, but the anesthesiologist is out-of-network. Postponing the surgery until an in-network anesthesiologist is available is out of the question. These are just a few of the hidden costs that the employee is going to incur, even with the richest health insurance plan. The Gap plan will reimburse for all of that.

The procedures and claims must be medically necessary and apply to their medical insurance to qualify. For example, the Gap plan would not reimburse for cosmetic surgery for example, but anything that would fall under the health plan's deductible or coverage would be covered, excluding doctor visit co-pays and prescription drug co-pays.

What if the employee is on an HSA plan?

In the event that the employee is on a health plan that does not cover doctor visits and prescription drugs with a copay (ie: HSA plans or High-Deductible plans), the ***GAP+*** plan would still not cover these two categories of claims, regardless if they were covered by copays or not on the major medical plan. In the event that the group is using an HSA major medical health insurance plan, there cannot be an additional plan that covers any claims for the first $1,400 for an individual ($2,800 for family). In such case, we have a modified HSA-compliant version that begins reimbursement/coverage AFTER these thresholds.

Participation

How does the employee qualify for the Gap Plan?

The employee must be "covered" by a health plan to qualify for the Gap Plan. This "coverage" could be in the form of:

1. Employer-sponsored major medical/health insurance plan.
2. Their spouse's employer-sponsored medical/health insurance plan.
3. An individual/family major medical/health insurance plan.
4. A government-funded major medical/health insurance plan.
5. A MEC plan (Minimum Essential Coverage).

The employer group must offer either a major medical/health insurance plan OR a MEC plan to their employees in order for the employees to enroll in the Gap Plan. However, if the employee is not on the employer-sponsored plan, but they DO have coverage elsewhere (in any of the five categories listed above), they may enroll in the Gap Plan.

If the employee is not on their employer-sponsored plan, and is not on any other health plan, they may enroll in the Gap Plan as long as they also enroll in a MEC plan. The Gap Plan carrier offers a MEC plan (at only $38 per month for a young, single employee) which can be funded by the *Health Risk Assessment* payments plus *Health Treatment Benefit* payments mentioned above.

Can employees cover their dependents?

Yes, even if the employee's dependents are not covered on the employee's employer-sponsored health plan, they can cover them on the Gap Plan.

If the employee's spouse and child are covered on their SPOUSE'S employer's medical insurance, the employee can still enroll in this plan.

And even if an employee isn't even on their employer's health plan (because they're on their spouse's employer's plan), they can still enroll on this plan, and they can enroll their family on this plan too.

What kind of employee does NOT qualify for this program?

Part-time employees may enroll in the Gap Plan, however they must have monthly gross pay that is more than the Gap Plan premium. If an employee is making less gross monthly salary than the premium, they do not qualify. For example, if the family premium was $1,729 and the employee made $1,500 in monthly salary (perhaps because they are a part-time employee), it is impossible to deduct $1,729 from $1,500 on payroll.

However, if the employee elected to solely cover themselves on the gap plan, and the premium was $498 per month, they could enroll themselves in the Gap Plan (and not their dependents) because it would be possible to deduct $498 in monthly premium from $1,500 gross monthly pay on payroll.

1099 independent contractors may not participate. Medicare members do not qualify.

Are there participation requirements for a group?
Yes. The minimum group size is 10 employees. A minimum of 5 employees must enroll. For groups with less than 50 employees, 50% participation is required. For groups with more than 50 employees, 25% participation is required.

Health Risk Management (HRM) & Claims Payments

How much is the monthly HRM payments and how do the employees qualify for it?
The employee receives a $300 monthly HRM payments from doing the annual (once per year) biometric exam, which is done at the worksite at open enrollment (a healthcare professional comes out to the worksite to administer the exam, which takes 3-4 minutes per employee). In lieu of the biometric exam, the employee could also do an annual self-administered cheek swab or finger prick (a kit is sent to their home, and the employee sends it back to the carrier).

In addition, the employee is eligible to receive a $50 Health Treatment Benefit (HTB) payments each time the talk/text/email their health coach, up to two times per month maximum. The employee can schedule a phone call with their health coach online and the health coach will call them to have the conversation over the phone at the scheduled time, or the employee can text/email the health coach directly… or they can chat with them online. If the employee has a health tracking device (ie: FitBit, Apple Watch, etc) they can link their device to the carrier's app, and their health coach will receive feeds (ie: weigh ins, steps per day, food logs, heart rate, etc). Each data feed upload counts as a "touch" with the health coach and applies to their monthly two-touch requirement.

That's a total of $400 in monthly tax-free HRM payments employees are eligible for via IRC Section 213(d). If employees enroll their dependents, these bonuses are multiplied by the number of dependents, up to three dependents maximum. This bonus/reimbursement process is explained below.

How does this GAP+ plan produce a zero net cost (and a monthly "net profit" for the employees?
In order to qualify, the employees take a biometric exam at open enrollment, at no cost to the employee, and no cost to the employer either. The examiner comes out with us onsite at open enrollment, and the entire exam only takes 3-4 minutes per employee.

We coordinate the scheduling of the examiner to match up with enrollment day. The machine calculates your body mass index, weight, blood pressure, etc. By doing the biometric exam once per year at open enrollment, the employee receives a tax-free $300/month HRM payment that is electronically deposited into their checking account each month.

The insurance carrier has all the actuarial data to prove that by tracking and managing the employee's health, their claims liability is reduced, hence the HRM & HTB services also benefit the carrier from a claims actuarial standpoint.

The actual premium for a single 28-year old is $498 gross, pre-tax. At the 30% tax bracket, the after-tax premium cost is only $349. The $300 monthly HRM payment hits the employee's checking account on payday, so they're only out-of-pocket $49 net.

There is a second component of the program is the Health Treatment Benefit that includes Health Coach consultations. Employees are eligible for $50 Health Treatment Benefit payments each time they talk to the Health Coach, up to two consultations per month.

They can do this by scheduling a phone call, or chat with them online, or text them directly. Each time they do one of these things, the employee receives a $50 Health Treatment Benefit payments, up to two bonuses per month. Hence, employees are eligible for up to $100 in Health Treatment Benefit payments per month.

So if the net cost of the plan is $49 per month, and they receive $100 in Health Treatment Benefit payments per month, they end up with a $51 monthly surplus.

Many of these employees will roll that surplus into a benefits bank to purchase essential voluntary benefits (ie: disability insurance, critical illness, cancer, life insurance, etc.).

How are the Health Risk Management payments not *Too Good To Be True*?

In the example above (using a single 28-year old employee), the carrier is collecting $498 in monthly gross premium. Assuming the employee completes their Health Treatment Benefit consultations with their assigned health coach, $400 of the $498 is coming back to the employee, hence the carrier is collecting $98 per month in net premium. In addition, the carrier is collecting $24.95 per month in administrative fees (paid by the employer - offset by the FICA tax savings - which typically nets the employer approximately $300-$600 savings per year for a single low-to-middle income employee). Statistically, the carrier's claim exposure has been 31% of the net premium collected. For those that think the HRM payments and the HTB payments sound too good to be true, the math pencils out very logically. The net premium plus the admin fee for this employee combined is $122.95 in pre-net revenue coming to the carrier. This pre-net amount goes to claims, commissions, overhead and profit for the carrier. To put this into perspective, Colonial Life's Hospital Indemnity Plan (a hospitalization-only gap plan) has a $42 monthly premium.

In terms of the reimbursement schedule, the amounts are in line with CMS reimbursement rates. Per Medicare guidelines, each healthcare service is assigned a CPT code, along with a CMS-approved reimbursement amount. The HRM and HTB payments are based on these CPT-code Medicare reimbursement amounts. The healthcare services completed by employees fall under the approved list of IRC Section 213(d) qualifying services. As a rule, legitimate medical diagnostic procedures DO constitute "medical care," even in healthy individuals without an underlying health condition. For purposes of Section 213(d), the term "diagnosis" means "any procedures to determine the presence of a disease or dysfunction of the body." (PLR 200140017 - October 9, 2001). In Revenue Ruling 2007-72, the IRS stated that "medical care" can include amounts paid for diagnostic procedures in asymptomatic individuals, even if such services are performed without the recommendation of a physician.

How and when does the employee receive the monthly HRM and HTB payments?
Depending on the type of payroll cycle the group is on – let's say it's bi-monthly for this example (24 cycles per year) – the $300 monthly HRM payments and HTB payments AND the payroll deduction would be broken in two deposits/deductions per month. So an extra $200 would hit their checking account per pay period (the tax-free HRM & HTB payments), so they would see a net $24.50 less hitting their checking account per pay period (half of the $49 net monthly cost). However, if the employee is also doing two Health Coach Consultations per month, they are seeing an additional $100 hit their checking account monthly ($50 per consultation x 2). In this case, the employee would see a net $25.50 more hitting their checking account per pay period (twice per month). The employee is given a 30-day grace period to converse with their health coach each month.

In addition, on the 20th day of the month, if the employee has not completed their two touches with their health coach, they will receive an email reminder. If the employee does not complete their two touches in a given month and they are in their 30-day grace period, the carrier will send an email to their employer to remind their employee to complete their two health coach touches.

At any time, the employee can log into their member portal (or on their smart phone app) to see if they are compliant in any given month. If they wear a health/fitness device (like a FitBit), that will automatically count as one of their two touches (since it uploads data and syncs with the carrier's app, which communicates that data with the health coach).

What if the employee is not available (onsite) to do the biometric exam?
In some cases, employer groups may have employees that work remotely and are not set up to do an in-person biometric exam with our examiner. No problem. The employer may elect to offer three different options so that the employee can still qualify for the $300/month biometric exam HRM payment. They can:

1. Do the biometric exam onsite at open enrollment.
2. Do a self-administered finger-prick blood test at home.
3. Do a self-administered cheek-swab test at home.

If the employee chooses option 2 or option 3, the kit is drop-shipped to the employee's home. The employee self-administers the simple test, and mails it to the carrier for processing. The carrier processes this within 48 hours. Simple.

How does the employee submit a claim for reimbursement?

The employee snaps a picture of the bill with their smart phone, which uploads it to the Gap plan's app. The app then notifies the Gap insurance carrier, and when they receive the notice, the Gap Insurance carrier then deposits the claim amount – up to $5,000 – into the employee's checking account electronically. The employee can then pay their medical bill after they receive that deposit, so the employee doesn't have to pay the bill and wait for their reimbursement money.

Is this a SIRP?

SIRPs (Self-Insured Reimbursement Programs) have attempted to create wellness programs where they take a pre-tax deduction via payroll, and the employer then bonuses the employee a "wellness participation bonus" on a tax-free basis to create a benefit bank surplus.

Most SIRPs calculate the employee pre-tax deduction based on a somewhat nebulous calculation. In these programs, there is no actual insurance product being purchased, yet they're taking a Section 125 pre-tax deduction.

What makes our program's payroll deduction legitimate is that an actual premium payment for an actual gap plan insurance product is being deducted from the employee's paycheck, and an actual insurance premium is being paid to the carrier.

This is extremely important from a compliance standpoint, because there's a real insurance product being purchased… a real premium being deducted from the employee's paycheck… a real premium paid by the employer to a real insurance company… and the wellness bonus is paid to the employee from the insurance carrier because the employee took action to improve their health, which justifies a wellness bonus.

SIRP wellness programs can't say that, which opens them up to liability, and quite frankly, opens the employer up to payroll tax liability as well.

If the client is audited and ends up owing the IRS and the state back-taxes, penalties and interest, you'll lose credibility with the client and the broker forever.

FICA Tax & Workers' Comp Savings For The Employer

How does the employer save money on their FICA taxes?

The employees' payroll deductions for the Gap Plan premium reduces the company's gross payroll, which means the employer saves on FICA taxes (7.65% of the reduced gross payroll).

There is a nominal administrative fee of $39.95 per employee+family per month (only $29.95 for employee-only), but that expense is washed out by the FICA tax savings. For a 52-year old employee+family, the annual FICA tax savings is approximately $881 per year, just for that one employee.

The FICA savings is calculated based on the several factors. The calculator in the spreadsheet factors the lesser amount of major medical premium deducted (assuming the employee is paying for all or a portion of some of the premium)… then also takes into consideration the gap premium deduction. The formula calculates the amount of gross payroll reduced based on these two factors and multiplies the annual reduction in gross payroll by 7.65% (the FICA calc). It then adds back in the carrier's admin fees based on the dependent coverage of the gap plan. The total FICA net savings is the gross FICA savings minus the admin fees. That's why I call it the "net FICA savings." This is all addressed in the training video called "How To Generate A Proposal" on the *Agent Training/Sales Resources* page.

How does the employer save on Workers' Comp?
The workers' comp savings (as a percentage as illustrated in the proposal) is based on the percentage of gross payroll reduction. Since workers' comp premiums are based on a percentage of gross payroll (depending on employee class codes and rates), if we reduce the gross payroll (through the premium payroll deductions) by 10% (for example), that would mean that the group's workers' comp premium would be reduced by 10%. Since we don't know what their workers' comp premium is, I strategically only show the percentage of workers' comp savings (which is synonymous with the percentage in gross payroll reduction). This is all addressed in the training video called "How To Generate A Proposal" on the *Agent Training/Sales Resources* page.

Are there any administrative fees the carrier charges?
Yes, however the FICA tax savings is substantially greater than the administrative fees per employee. We have a calculator that can demonstrate this net savings. Below are the PEPM (Per Employee Per Month) admin fees.

EE Only: $29.95 per month
EE + Spouse: $34.95 per month
EE + Child: $34.95 per month
EE + Children: $34.95 per month
EE + Family: $39.95 per month

How can the carrier afford to do this?
The actual premium the carrier collects for a 28-year old employee is $484. The HRM & HTB payments ($300/month for the biometric exam, and monthly $50 x2 for the health coach consultations) means the carrier is bonusing back $400 of that $484 per month premium. Hence, they are collecting an $84 net premium on that 28-year old employee.

The carrier is also collecting a monthly administrative fee of $29.95 on that 28-year old, paid for by the employer (remember, the employer is saving over $100 per month in FICA taxes, netting a $73 per month savings on this one employee).

Hence, the carrier is collecting a net $113.95 ($29.95+$84=$113.95) per month on this single 28-year old. Claims data shows the carrier paying out 31% in claims from the net premium collected.

Enrollments

How does the Gap Plan get enrolled?
Our program can be enrolled:

1. Face to Face
2. Over the phone or via screenshare
3. Using our self-enrolling technology (employees can watch short videos that explain how the
   program works, and they enroll online)

We set up the group chassis ahead of time to coordinate payroll schedules and HRM & HTB payment deposits, and the employees get emailed a link that takes them through a very easy-to-follow self-enrollment process that's no different than them ordering food-to-be-delivered online.

Broker-Related Questions

How can I show a broker how much commission they can make on the Gap Plan?
Download the commission calculator at the bottom of the *Agent Training/Sales Resources* page under the "Commissions" section.

How long has the carrier been in business?
The carrier officially launched in 2018 as a joint venture with SwissRe, Chubb, and Gerber.

What other products does the carrier have?
The carrier also offers several voluntary benefit plans, including Critical Illness, Cancer, Disability Insurance, Hospital Indemnity, Life Insurance, and MEC plans. Voluntary benefits reps and brokers may continue to offer their current voluntary benefits carrier(s) of choice for these product categories, or they may offer this carrier's products instead.

How much annualized premium does the carrier have on the books?
$412 million.

How much of that is annualized Gap Plan premium?
$173 million (42% of total premium).

What is the total amount the carrier has in reserve?
$226 million.

What is the carrier's current reserve-to-claims liability ratio?
55%.

What is the carrier's historical claims-to-net-premium ratio?
31%.

What is the carrier's rating?
All products are issued by a carrier (to be disclosed once an NDA is signed and submitted to us). This carrier is reinsured by SwissRe, Gerber, and risk-shared with Chubb (all A+ carriers). This carrier will petition for an independent A.M. Best rating as a surplus lines carrier in 2021.

How do you get contracted with the carrier?
Go to www.WorksiteMGA.com and click on GET APPOINTED at the bottom of the homepage.