



PREMIUM ONLY PLAN

What is a Premium Only Plan?

A Section 125 Premium Only Plan allows your employees to pay their share of insurance premiums (dental, vision, and chiropractic) on a pre-tax basis. Many larger companies routinely offer the tax savings of a Premium Only Plan to their employees. Through our administrator WageWorks, a HealthEquity company, those same tax savings are now available to employers with 2-500 employees.

Premium Only Plan Advantages

A Premium Only Plan provides a significant tax savings for both you and your employees. It allows your employees to pay their share of healthcare premiums with **pre-tax** dollars, allowing your employees to take home more money. When your **taxable payroll decreases**, you save money by reducing your FICA and Workers' Compensation expenses.

Because a Premium Only Plan allows **employees to stretch their income**, it becomes easier for them to assume a larger share of the premium or "buy-up" to the benefit design of their choice.

Premium Only Plan Fees

Set-up, Plan Documentation and Discrimination Testing: \$100

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A Premium Only Plan Lowers Your Taxes

This illustration shows the potential savings to you and your employees with a Section 125 Premium Only Plan through WageWorks, a HealthEquity company.

	Calculated Annual	Annual Employer	Collective Annual
If the employer contributes...	Employee Contribution	Savings	Employee Tax Savings
50% of employee dental premium & 0% dep prem	\$ 1,428	\$ 143	\$ 357
50% of employee dental premium & 25% dep prem	\$ 1,294	\$ 129	\$ 324
50% of employee dental premium & 50% dep prem	\$ 1,161	\$ 116	\$ 290
75% of employee dental premium & 0% dep prem	\$ 981	\$ 98	\$ 245
75% of employee dental premium & 25% dep prem	\$ 848	\$ 85	\$ 212
75% of employee dental premium & 50% dep prem	\$ 714	\$ 71	\$ 179
100% of employee dental premium & 0% dep prem	\$ 534	\$ 53	\$ 134
100% of employee dental premium & 25% dep prem	\$ 401	\$ 40	\$ 100
100% of employee dental premium & 50% dep prem	\$ 267	\$ 27	\$ 67

The examples above assume that:

- A) all premiums are calculated by selecting the DHMO plan which produces the best employee rate,
- B) each employee has a combined tax bracket of 25% (7.65% FICA, 4% State Income, 13.35% Federal), and
- C) your workers' compensation premiums are 2.35% of your annual payroll cost.

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