



Employer's guide to the premium-only plan (POP)

Lower your payroll taxes and increase your employees' take-home pay





Tax savings that benefit everyone

Everyone saves

If you are looking for a simple solution to save money for both you and your employees, a POP is an approved change in your payroll process that allows you to use pretax salary dollars to pay your employees' share of benefit premiums. Any size employer can take advantage of this special provision of Section 125 of the IRS code.

As a result, both employers and employees profit. Employees reduce their taxable income, which lowers their taxes and increases their take-home pay. You cut your payroll taxes by decreasing your total taxable payroll.

Establishing a POP is also an easy way to make your benefits more competitive and create real, lasting value for your employees, all while generating continuous tax savings for your business.

Lower cost

Through our arrangement with HealthEquity Inc., the cost of a POP is only \$125 per year.

Employer advantages

- Lower payroll taxes, meaning more company funds can be used for other business needs
- Increased employee satisfaction
- Low pricing at \$125 per year
- Simple and quick plan setup

Employee advantages

- More take-home pay
- Reduced taxes
- Tax savings pays for partial costs of premiums

Plans that qualify

You can benefit from a POP if you have the following nontaxable, employee-sponsored group plans:

- Medical
- Dental
- Vision

How it works

Any size employer can take advantage of a POP. All you have to do is adjust your payroll process to deduct the employee portion of your group insurance premiums on a pretax basis instead of after tax.

A POP can be established for any single employee or certain related employees, including:

- Members of a controlled group of corporations.
- Members of a group of commonly controlled trades or businesses.
- Members of an affiliated service group.

HealthEquity Inc. will provide you with all you need to set up a POP. The IRS prohibits certain individuals from participating in a POP, including:

- Sole proprietors.
- Partners within a partnership, such as LLC and LLP members.
- Owners of an S corporation.

Even though these individuals cannot participate in a POP, their businesses can still benefit from the tax advantages of setting up a POP for their employees.

Savings examples

Suppose your company has an annual payroll of \$250,000 and 10 employees, each of whom contributes \$100 a month toward their group insurance premiums. Your savings would look like this:

Employer savings	Without a POP	With a POP	Employee savings	Without a POP	With a POP
Annual payroll	\$250,000	\$250,000	Annual income	\$25,000	\$25,000
Employee premiums	\$0	(\$12,000)	Pretax contribution	\$0	(\$1,200)
Taxable payroll	\$250,000	\$238,000	Taxable income	\$25,000	\$23,800
FICA (7.65%)	\$19,125	\$18,207	Estimated taxes (30%)	(\$7,500)	(\$7,140)
Employer tax savings	\$0	\$918	After-tax contribution	(\$1,200)	\$0
			Net take-home pay	\$16,300	\$16,660
			Take-home pay increase	\$0	\$360



To learn more, call **800-876-7548** (8 a.m. to 5 p.m. Central time) or visit healthequity.com/pop. For tax advice, please consult your tax adviser.



See how much you can save

Use this worksheet to estimate how much your company can save with a POP.*

	A Without a POP	B With a POP
Annual payroll In both columns, write in your gross annual payroll.		
Pretax employee premiums In the B column, write in your annual pretax employee premium contributions.		\$0
Taxable payroll In both columns, subtract row two from row one and write in the difference.		
FICA (7.65%) In both columns, multiply row three by 0.0765 and write in the result.		
Your savings Subtract the amount in row four, column A from row four, column B and write in the result.	\$	\$

* Savings calculated based on figures entered by the inquiring party and may not represent the actual savings allowed by law. According to IRS guidelines, certain companies and employees do not qualify for the pretax savings. The savings attained with POP may vary based on the monthly premiums and employer contributions.





Get started

Setup can take as little as two weeks

After you submit your application, you will receive a POP installation kit from HealthEquity Inc., a firm specializing in the design and implementation of Section 125 services (the portion of the IRS tax code that makes premium-only plans possible). The kit will include:

- Setup instructions in a step-by-step format.
- All materials necessary to communicate the program to your employees, such as:
 - A clear, easy-to-read announcement letter.
 - An enrollment and reenrollment form.
 - A summary program description with answers to common employee questions.
- Administrative guidelines and forms.
- A personalized program document.
- Nondiscrimination testing procedures.

Customer support

HealthEquity Inc. will provide complete customer service support. HealthEquity can assist you with any questions you may have about installing and managing a POP. You may also wish to consult with your tax or legal adviser for more details on Section 125. Once your POP is in place, HealthEquity will also keep you informed about changes in IRS regulations, to maintain compliance.

How to enroll

Step 1: Fill out the POP application included in this brochure.

- If enrolling for a POP as an existing Anthem Blue Cross small business group, submit your completed POP application (and separate check, if applicable) to Anthem no later than 15 business days before the requested POP effective date or amendment and restatement date.
- If applying for Anthem Blue Cross plans concurrently with POP enrollment, please submit the completed POP application with all other required paperwork.
- A POP application that's received less than 15 days before the requested effective date will delay the effective date.

Your POP application cannot be processed until Underwriting approval is final for your group's enrollment; therefore, your POP effective date may be later than your Anthem Blue Cross effective date.

Step 2: Enclose a separate check for \$125, payable to Anthem Blue Cross.

Step 3: Receive a POP installation kit from HealthEquity Inc. and follow kit instructions right away to establish your POP as soon as possible.



How to complete your application

The following information must be included on the application:

Existing Anthem Blue Cross group numbers: For tracking purposes, please list all current Anthem Blue Cross and Anthem Blue Cross Life and Health group policy number(s). If the group has multiple policies, all must be listed.

Section 1: General information

- **Plan sponsor:** Fill in the complete legal business name and address of the company sponsoring the plan.
- **State of incorporation or domicile:** Indicate the state in which the plan sponsor is incorporated. Nonincorporated plan sponsors should indicate the state in which they are located.
- **Type of plan:** The effective date should be the beginning of the first payroll period for which employee contributions will be converted to pretax. It is not necessary for the effective date to coincide with the first day of the plan year (short plan years are permitted in the first plan year).

Per IRS regulations, all employee communication/election information must be distributed and the plan document must be adopted prior to the effective date.

Due to timing requirements specified by tax law, we must receive your completed application at least 15 business days prior to your requested effective date or amendment and restatement date.

Section 2: Definitions

First day of plan year: Your business must adopt a 12-month POP year, per IRS rules. The start date of a POP is usually the first day of the month after the application is submitted. The last day of the POP year must be 12 months after the first day of the POP year, except for year one, which may be a short POP year. For the first year only, you can choose any start date.

Eligibility for new and existing employees: Indicate the number of hours per week and days of service required for eligibility. POP eligibility usually coincides with eligibility in your other benefits plans.

Eligibility for rehired employees: Indicate the required number of days of service for rehired employees. Rehired employees can't enter a POP prior to the first day of the POP year immediately following their termination.

Section 3: Administration

Indicate the name and title of the person within the company responsible for POP administration (your group administrator). The application must be signed and dated by your group administrator as an authorized representative of the POP sponsor.

Section 4: Agent/ Broker information

Have your agent or broker complete this section.



Administrative services for POP are provided by HealthEquity Inc., an independent company that is not affiliated with Anthem Blue Cross, its affiliates, or parent organization.

Anthem Blue Cross is the trade name of Blue Cross of California. Anthem Blue Cross and Anthem Blue Cross Life and Health Insurance Company are independent licensees of the Blue Cross Blue Shield Association. Anthem is a registered trademark of Anthem Insurance Companies, Inc.

Premium Only Plan Application



Please print, type, or complete electronically.

Requested/required group numbers

Section 1: General Information

Plan sponsor (employer's complete legal name)	State of incorporation or domicile	Name of plan (Example: ABC Company Premium Only Plan)
Type of plan: <input type="checkbox"/> A new plan effective as of _____ (MMDDYYYY) <input type="checkbox"/> An amendment and restatement of an existing Section 125 plan (transfer of P.O.P. from your current administrator) Effective date of original plan _____ (MMDDYYYY) Effective date of amended and restated plan _____ (MMDDYYYY)		
HSA amendment: <input type="checkbox"/> Include language to allow the high-deductible health plan premiums and HSA contributions to be deducted on a pre-tax basis.		
Note: The application must be received by at least 15 business days before the requested effective date or the amendment and restatement date.		

Section 2: Definitions

First day of plan year _____ . Last day of plan year _____ (must be a 12-month period).
 (The plan year must be 12 months. It usually coincides with the renewal date of the insurance plan, the calendar year or the company fiscal year. The last day of the plan year must be 12 months after the first day of the plan year.)

Eligibility for new and existing employees. An employee of the company regularly performing services at least _____ hours per week shall become a participant on the first day of the month coincidental with or next following the date the employee completes _____ days of consecutive employment. (Days of service and hours per week required for eligibility usually coincide with eligibility for insurance programs.)

Eligibility for rehired employees. Employees rehired after a period of termination will become eligible for the plan on the first day of the month coincidental with or next following the date the employee completes _____ days of consecutive employment. (Employees rehired within 30 days must continue with previously elected pre-tax contribution amounts.)

Section 3: Administration

Provide the name and address of the person responsible for plan administration. The application must be signed by an authorized representative of the plan sponsor.
 Reminder: Do not start pre-tax deductions until you have received the P.O.P. installation kit and plan document from HealthEquity, Inc. and implemented the P.O.P.

Plan administrative contact	Title	Phone no.	Fax no.	
Mailing address	City		State	ZIP code
Shipping address (do not use P.O. Box)	City		State	ZIP code
Email (required for delivery of the newsletter)				
Signature X			Date (MM/DD/YYYY)	

Section 4: Agent/Broker information

Name	Agent no.	Phone no.		
Company/agency	Sales office			
Mailing address	City		State	ZIP code
Agent signature X			Date (MM/DD/YYYY)	

Question? Call HealthEquity, Inc.'s P.O.P. information hotline at 800-876-7548 (Hours 8:00 a.m. – 5:00 p.m. CST), or go to <https://www.healthequity.com/pop>.

Please return the completed application to:

Anthem Blue Cross
 P.O. Box 9062
 Oxnard, CA 93031-9062