



CHAMP Plan™ Compliance Justification

- The Policy supported by a SF employer is an ERISA and ACA-compliant policy, as applicable.
- The Policy may be considered a limited medical benefit plan.
- The Policy may be paid for on a pre-tax basis via Section 125 or on a post-tax basis. If paid on a pre-tax basis, such premiums are reported on an employee's W-2, as required by the IRS for all healthcare premiums to be reported in Box 12 with Code DD.
- Unless the IRS provides future guidance to the contrary, any health indemnity plan, limited medical benefit plan or group health plan (among others) may be paid for on pre-tax basis, with such payments sent to the designated third-party administrator, as applicable.
- Any premium amounts provided to the third-party administrator are considered plan assets.
- The Policy provides for medical-covered services with zero co-pays, such as primary care visits, urgent care visits, pharmacy benefits for prevention and acute care, preventative care, telehealth, as well as direct primary care/concierge medicine, and such other 213(d)- based medical events, which include applicable health screenings, health risk assessments, risk resolution assessments, chronic medication fulfillment and other medically-based engagement activities (as approved and provided for by the Policy)
- The Policy assumes an inherent transfer of risk, as required by the IRS, due to the zero-dollar outlay by the employee for the visits outlined above, as well as the pharmacy benefits and such other services provided under the Policy.
- Just like any other limited medical / indemnity benefit, the Policy may pay the specified Policy benefit amounts pursuant to the qualified covered services directly to the individual/participant or through a third party (i.e., a third-party administrator or vis-à-vis an assignment of benefits or through the employer, themselves, if such payments pursuant to the Policy are for covered services under the Policy and there is applicable documentation for the triggering event).
- All claims under the Policy must be substantiated by the employee participant after a triggering event, as specified within the CHI Platform documents, for any claim to be paid under the Policy. No claim is paid or shall be payable to an employee participant without such corroborated evidence of such event.



- The CHI Platform and Policy documents set forth the variety of benefits and stipulations for purposes of any Policy benefits, rights, obligations and requirements for participants and beneficiaries.
- Given the assumed transfer of risk, it is not illegal for the Policy to pay any approved, documented covered benefits to the participant through an intermediary or third-party, such as the employer or another third-party, who then provides such benefit payment to the participant.
- The covered benefits (i.e., Schedule of Benefits) under the Policy all require a medical CPT/NPI code, as normal with any limited medical / health indemnity plan. As such, no Policy benefits are paid without proper documentation of a covered service happening, as set forth above.
- Pursuant to previous and current IRS guidance, claim payments made under the Policy may be reportable at the individual/participant level. Under prior rules and governance since 1969, the taxation of such payments is determined by the participant, as reported on their Form 1040. Whether the Policy benefits are excluded from taxation is based on an individual/family facts and circumstance, as well as the pre-tax and/or post-tax nature of the premiums. Notwithstanding, the Policy benefits should be eligible for exclusion from a participant's taxable income to the extent of the insured's aggregated unreimbursed expenses for medical care (or, if the Policy is paid on an after-tax basis, then the benefits received should be tax free under Section 104(a)(3)).
- The tax treatment of the Policy benefit payments follows long- standing treatment by the IRS, which provide that the claim payments minus the aggregate out-of-pocket medical expenses determines taxation, as reported by the individual on Form 1040, as applicable.