



Premium-Only-Plan Frequently Asked Questions

When I pay my health premiums with before tax dollars can I change my insurance coverage during the year?

If you choose to pay for your share of premiums with before-tax dollars then you are agreeing to keep the insurance coverage elected for the entire plan year. The only exception to this rule is if you were to incur an eligible status change and elected to change your insurance coverage within 30 days of the eligible event. Examples would include: going from single coverage to adding a spouse when you get married; adding family coverage after the birth of a child or removing spousal coverage at the time of divorce.

Can I pay for individual premiums pretax through my premium only plan?

Flexible benefit plan rules allow you to pay for individually-owned health premiums with before-tax dollars if your employer adopts a Premium Reimbursement Account option in the plan document. This rule applies to you as the employee when you are the primary-insured on the individual policy. If the policy does not include coverage for you (only has coverage for your spouse or your children) then the premium may not be eligible for reimbursement. We are still waiting for clarification from the IRS. It is assumed that since the spouse or child as the primary-insured is not an employee of the company sponsoring the plan, then it is not employee coverage that is being reimbursed and therefore the premium would not be eligible for reimbursement.

However, there are complications in offering individual premium reimbursements. Although the IRS regulations allow premium reimbursement, it may be contrary to the rules that apply to HIPAA, ERISA and some state mandates. Before individual premium reimbursement is offered these areas of concern should be addressed. Another company's group insurance premiums are never eligible for premium reimbursement.

Do I have to sign up for the plan every year?

Whether or not you have to sign up every year for the before-tax premium payment depends on how the plan document is written. The FlexMagic sample plan document allows continuing before-tax premium payments in subsequent plan years without the employee having to re-authorize this option each year. However, the only time the before-tax election can be stopped or changed is during open enrollment or at the time of an eligible status change.

Is discrimination testing required with premium-only- plans?

Discrimination testing is not required if the employer can pass safe harbor tests.