HealthCues

In partnership with Mainspring

WHITE PAPER

Lower Payroll Tax. Better Benefits. Zero Out of Pocket.

How employers use a Section 125 preventive health program to cut FICA by $600 to $850 per employee each year while adding free healthcare benefits and a bigger paycheck for their team.

$600 to $850	~$900	70%+	$0
Employer FICA savings per qualifying employee, per year	More take-home pay per year for a typical $31K hourly worker	Of W-2 employees typically qualify	Out of pocket cost to the employer

Executive summary

Payroll tax is one of the largest fixed costs an employer cannot negotiate. At the same time, hourly workforces in restaurants, hospitality, logistics, home care and retail are losing good people over small differences in take-home pay. HealthCues addresses both problems with one program. It is a fully insured preventive health benefit that runs through the payroll an employer already has, structured under Section 125 of the Internal Revenue Code. Employees pay for the plan with pre-tax dollars, which lowers their taxable wages. Lower taxable wages mean the employer pays less FICA and the employee pays less in withholding. The plan then pays a monthly claim benefit back to the employee for completing preventive care. The net result is a larger paycheck for the employee, a smaller payroll tax bill for the employer, and a set of healthcare benefits that layer on top of whatever coverage the employee already has.

HealthCues is not health insurance and it does not replace an employer's existing medical plan. It is supplemental, it requires no out of pocket spend from the employer, and HealthCues handles setup, enrollment and employee education. Ongoing administration takes roughly ten minutes of HR time per pay period.

What employees receive

Every enrolled employee receives a package of preventive and supplemental benefits that are available from day one and may extend to spouses and dependents.

- **$0 virtual primary and urgent care.** Unlimited access to licensed physicians by phone or video, 24 hours a day, with no copay.
- **24/7 mental health support.** Licensed counselors with unlimited sessions for the employee and their household.
- **Cash benefits for medical events.** Fixed cash payments for hospital stays, ER visits, ambulance transport and preventive visits, paid directly to the employee regardless of other coverage.
- **Prescription savings.** More than 200 common generic medications at no cost and discounts on over 55,000 medications.
- **Health risk assessment and DNA screening.** Personalized nutrition, fitness and risk forecasting to catch problems early.

- **More take-home pay.** A typical net increase of about 3 percent, roughly $77 per month, with no change to the employee's wage rate.

How the program works

The mechanics combine three things that have each existed for decades.

1. Section 125 of the tax code

Section 125, often called a cafeteria plan, has been law since 1978. It is the same rule that allows employees to pay health premiums, flexible spending accounts and health savings accounts with pre-tax dollars. When the HealthCues premium is deducted before taxes, the employee's taxable wages decrease. Federal income tax withholding and the employee's share of FICA are calculated on the lower figure, and the employer's matching 7.65 percent FICA contribution is calculated on the lower figure as well.

2. A fully insured hospital indemnity plan

The benefit is a fully insured policy underwritten on A-rated carrier paper, approved by the Department of Insurance in each state in which it operates, and available in all 50 states. It is HIPAA compliant and claims are paid directly to the employee. Because the plan is insurance rather than a wellness reimbursement, the structure has a clear regulatory footing.

3. Preventive care that employees use

The plan pays a monthly claim benefit when the employee engages in preventive activities such as a virtual visit, a health risk assessment or a screening. This is the piece that funds the employee's larger paycheck and that drives measurable improvements in attendance. Small health problems are handled early, before they become missed shifts or emergency room visits.

A worked example

The table below follows one employee earning $31,200 per year, or $2,600 per month, before and after HealthCues. Figures are from HealthCues' standard illustration. Actual results depend on the employer's state and payroll.

Employee paycheck (monthly)	Without	With HealthCues
Gross income	$2,600.00	$2,600.00
HealthCues pre-tax premium	$0.00	($1,200.00)
Taxable income	$2,600.00	$1,400.00
Tax withholding	($439.17)	($162.13)
HealthCues claim payment	$0.00	**$1,000.00**
Net take-home pay	**$2,160.83**	**$2,237.87**
Employer FICA on the same employee	**Without**	**With HealthCues**
Employee's taxable wages	$2,600.00	$1,400.00
Employer FICA at 7.65%	$198.90	$107.09
Monthly FICA saved	$0.00	**$91.80**
Annual FICA saved	$0.00	$1,101.60
HealthCues administration fee	$0.00	($480.00)
Net employer savings per employee, per year	**$0.00**	**$621.60**

For an employer with 120 enrolled employees, the net saving is approximately $74,000 per year. Because the saving is driven by payroll tax rather than by a budget line, it recurs on every pay period for every enrolled employee and does not require the employer to write a check.

Why employers adopt it

- **Cut payroll tax, not people.** Pre-tax premiums shrink the wage base on which employer FICA is calculated.
- **Compete on take-home pay without raising wages.** Employees see roughly $77 more per month on the same hourly rate, which directly addresses turnover in hourly workforces.
- **Healthier, steadier crews.** Free virtual care and mental health support reduce absenteeism and keep small problems from becoming lost shifts.
- **Light lift for HR.** HealthCues sets up payroll codes, runs enrollment and integrates with ADP, Paychex, Paycom, Paylocity, isolved and most other platforms. Ongoing administration is about ten minutes per pay period.
- **No change to the existing health plan.** The program is supplemental and layers on top of any current coverage, including plans the employer already sponsors.

Who is already using it

HealthCues has been in market since 2019 and 92 percent of its clients renew every year. Representative clients include independent franchise owners and operators of McDonald's, Subway, Burger King, Marriott, Hyatt, Hilton Garden Inn, Holiday Inn, IHOP, FedEx Ground, Shell, Amazon Prime and Home Instead, along with regional employers in home care, restaurants and hospitality.

Compliance and documentation

Before an employer shares any payroll data, HealthCues provides the legal opinions and plan documents supporting the program for review by the employer's CPA or counsel. The plan is fully insured, state approved and HIPAA compliant. Excess benefits paid under the program may be taxable income, and HealthCues recommends that each group obtain advice from a professional tax advisor prior to enrollment.

Getting started

1	**15-minute call and free proposal** Confirm W-2 headcount, review payroll, receive a proposal built on the employer's real numbers along with legal opinions for the CPA.	**Day 1**
2	**HealthCues runs enrollment** Payroll codes are configured and HealthCues educates employees. Typically 85 percent or more of eligible employees enroll.	**1 to 2 weeks**
3	**Savings on every payroll** Lower FICA for the employer and a larger paycheck for employees, repeating every pay period.	**Ongoing**

Find out what your company would save.

A 15-minute call and HealthCues runs the numbers on your actual payroll. No cost, no obligation, and your current health plan stays as is.

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