

S U M M A R Y & R E C A P

CPA Journal Article Supporting the EmployWell Solution

EmployWell's employee wellness program is a legitimate, IRS-backed strategy enabling employers to save on payroll taxes while providing a fully funded wellness benefit at zero net cost for participants, as substantiated by the referenced article from Arizona's CPA Journal in January of 2021.

How the CPA JOURNAL Article Supports EmployWell's Legitimacy:

The article explains that employers can establish Self-insured Medical Reimbursement Plans (SIMRP) and integrate them into a Wellness and Integrated Medical Plan Expense Reimbursement (WIMPER) structure.

These platforms are recognized by the IRS under Section 105 and Section 106(a) of the Internal Revenue Code, and operate through Section 125 Cafeteria Plans, allowing for pretax salary contributions and reimbursements for qualified health and wellness expenses. By leveraging these codes, employers can fund wellness programs and ancillary medical benefits with pretax dollars, reducing both employer and employee FICA payroll tax liability, without incurring additional direct costs for either party.

IRS Code Foundations:

Section 105 (SIMRP): Enables employers to reimburse employees for medical expenses (including insurance premiums) not covered by traditional group health insurance, using a formal written plan, with clear eligibility standards and nondiscrimination rules.

Section 106(a): Allows employer contributions to health plans, including wellness programs, on a pre-tax basis—meaning those contributions are not considered taxable income for payroll purposes.

Section 125 Cafeteria Plan: Permits employees to make salary reduction agreements so that their compensation funds qualified benefits (including accident/health coverage and wellness allowances) pre-tax.

Direct Tax Savings:

The article highlights that combining a SIMRP with a WIMPER platform specifically results in payroll tax (FICA) savings, since contributions made under these plans are not considered wages for Social Security and Medicare taxation. Employees who participate can select and fund supplemental benefits (disability, accident insurance, wellness incentives) on a tax-favored basis, which amounts to “zero cost” because reductions in taxes exceed the cost of provided benefits.

Compliance & Design:

- For the program to remain compliant and fully legitimate under IRS rules, it must:
- Have formal plan documentation,
- Benefit the required percentage of employees uniformly,
- Not discriminate in favor of highly compensated employees,
- Use pretax contributions and reimbursements for wellness and integrated medical care.

To Sum it Up:

This article verifies that employee wellness platforms like EmployWell are grounded in explicit IRS tax codes (Sections 105, 106, and 125), which underpin their ability to deliver genuine, cost-free wellness benefits while lowering payroll tax obligations for all participating employers and employees—making the model “legitimate” and fully supported by regulatory frameworks.

WHY EMPLOYWELL

EmployWell offers a turnkey wellness program that not only leverages IRS tax codes for substantial payroll tax savings, but also removes the administrative burden from employers by providing a fully managed, compliant solution that integrates seamlessly with existing HR and payroll systems.

EmployWell's wellness program stands out as the **only opt-out solution in the market**, combining unique benefits and broad participation to maximize payroll tax savings and employee value, fully backed by IRS-sanctioned regulatory frameworks.

Turnkey Implementation & Support

EmployWell streamlines the process for employers by designing, implementing, and maintaining a compliant self-insured wellness platform using well-established IRS codes (Sections 105, 106, and 125). The platform works directly with HR teams for rapid, low-effort setup, including all necessary plan documentation, eligibility screening, and nondiscrimination compliance. Beyond initial implementation, EmployWell continues to support employers and employees by delivering educational resources, communications, and personalized wellness content to maximize engagement and benefit utilization.

Employee Engagement & Real Value

EmployWell provides ongoing content that helps employees understand not just how to access and use their wellness benefits, but also explains why participation leads to a 2-3% increase in take-home pay through payroll tax savings. This is made possible because the pretax salary contributions used to fund enhanced wellness offerings result in lower FICA tax withholding for both the employer and the employee.

Employees receive wellness resources and incentives that go beyond traditional health coverage or employee assistance programs, including all the proactive wellness resources outlined in the EmployWell deck provided.

Unique & Meaningful Advantages

Unlike typical benefits packages, EmployWell's wellness solution:

- Adds unique wellness resources and financial incentives that are directly tied to measurable take-home pay increases.
- Operates with robust ongoing support so employees get full value and clear understanding of their expanded benefits.

- Delivers immediate value without HR staff shouldering new administrative demands or complex compliance tasks.

By leveraging these IRS-sanctioned frameworks, EmployWell provides a fully compliant, cost-effective program that is legitimate, easy to implement, and deeply valuable for both employers and employees.

Opt-Out Model: Broad Participation and Savings

EmployWell is the market's only opt-out program, meaning virtually every eligible employee (95–100%) automatically participates unless they actively decline. This high participation rate is crucial for delivering maximum payroll tax savings to both employers and employees, as it leverages IRS codes (Sections 105, 106, and 125) to the fullest extent. In contrast, competitor benefits—often insurance products—must be legally presented as voluntary, resulting in far fewer participants and leaving substantial tax savings untapped.

Advantages Over Traditional Wellness Programs

- **Higher employee engagement:** The opt-out structure means nearly universal utilization, making payroll tax benefits much more substantial for the entire organization.
- **Greater employee value:** Employees gain meaningful wellness resources that foster wellbeing and financial security, which is simply not matched by competitors whose offerings are limited to insurance or basic EAP features.
- **Superior employer impact:** Employers realize the greatest possible payroll tax savings with minimal administrative effort, thanks to EmployWell's turnkey program with fully managed implementation and employee support.

In Summary

EmployWell delivers a truly differentiated, IRS-compliant wellness program that is both innovative and effective, providing benefits and participation rates unmatched by any other provider in the space.

Citations:

CPA-JOURNAL-20-Questions-about-Establishing-a-Health-and-Wellness-Program.pdf