

Benefit Fact Sheet

What is it?

An executive health care reimbursement plan supplements group healthcare plans by covering most unreimbursed health care expenses, such as deductibles and coinsurance amounts not paid by the base plan, as well as unreimbursed medical, dental, vision and prescription drug expenses. When offered on an insured basis "executive medical" plans can discriminate in favor of key employees without adverse tax consequences as governed by IRS Section 105(h). Plans are typically provided by an employer's health plan or by a specialty third party insurance company.

Why offer it?

- Attract and retain key executives.
- If insured, employer-paid premiums for qualified plans are tax deductible and benefits are non-taxable to the executive.
- Allows focused delivery of desired benefits at lower cost than if provided to all eligible employees.

What types of employers offer it?

Organizations that:

- want to offer an extra tax-advantaged incentive to key executives.
- want to maximize the level and quality of healthcare coverage for key executives and their families
- are not philosophically opposed to offering richer benefits to executive level employees than are provided for other employees.

What size employers offer it?

Employers of all sizes.

What are the critical underwriting or participation requirements?

- Minimum participation requirement of one employee.
- Executive must be an active participant in the group health plan (minimum benefit requirements apply to group health plan).
- Generally only those executives not enrolled in Flex Plans, Health Reimbursement Accounts or Health Care Savings Accounts are eligible to participate.

What's new in this area?

Some executive medical reimbursement carriers now offer additional benefits such as medical concierge services, executive physicals, wellness programs, accidental death and dismemberment coverage, and 24/7 emergency and worldwide travel medical assistance.

How much does it cost?

- Costs vary widely based on the amount of benefit provided.
- While the plans are always insured, the insurance arrangement generally calls for the employer to pay all claims plus an administrative fee. Employer liability is capped, qualifying the plan as "insurance".

Benefit Fact Sheet

- Typical pricing: \$250/executive/year + 111% of claims processed.

Informational link(s)

- [Exec-U-Care](#)
- [ArmadaCare](#)

Pros and cons

Pros

- Allows the organization to provide more comprehensive healthcare coverage to executives on a discriminatory basis.
- Aid in recruitment and retention of key executives.
- May provide an employer tax deduction and non-taxable benefit to executive.

Cons

- Claim submission process requires executive involvement.
- Minimum requirements for underlying plan designs apply.
- Limited plan designs available to smaller employers.
- Potential for unfavorable employee relations if widely known.

Notes

Tax deduction applies to professional, "C" and 501(c)(3) corporations. Tax benefits may apply to subchapter "S" corporations and partnerships; consult with a tax professional for details.

This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization. A menu of additional topics is available online at: www.arlengroup.com/facts.