



Paradigm Health and Wellness Compliance Information

Preface

At Prodigy Benefit Management, we understand that Paradigm Health & Wellness is a different way to help employees enhance their health and financial wellbeing. We also understand that something new and different invites questions. It is reasonable that you want to know that you are doing the right thing, whether it's for your clients, your business, or your employees. That's why we prepared and are glad to share how we take compliance seriously.

Please review the information below and feel free to reach out to us to discuss how our Paradigm Health & Wellness works and how it can deliver results for you.

The Paradigm Difference

Paradigm Health and Wellness makes regulatory compliance a priority. We believe it sets us apart from many of our competitors and makes us the best choice:

- All proposals are checked by a CPA.
- All tax codes, state, federal for proposal systems are maintained by our CPAs.
- We utilize a 100-point system to maximize employee participation compliance:
 - This system allows us to provide a value for delivery of preventative care and a dashboard that measures utilization for all participants.
 - It aids in our monitoring of potential taxable benefits of participants. 100 points = 100% participation. If a Paradigm participant does not achieve 100 points, then the remainder is equal to the tax on the benefit value. Example: If a participant only receives 60 points, then 40% of the benefit value is taxable. This is our understanding of compliance with the regulations for receipt of Sec 213d reimbursable healthcare. Employees are required to be active participants in the Paradigm Health & Wellness program to earn reimbursement in their Benefit Reserve. This "Use it or lose it" proposition is an essential part of the Paradigm Difference.
- Any cash returned to the employee is taxable. The IRS, DOL and other regulatory agencies have been clear, any cash from any wellness plan is taxable. If a participant elects to take the Benefit Reserve as cash, they must understand that it will be reported as a taxable benefit from a Health and Wellness plan by their employer.
- The IRS and DOL have the position that the participant has the right of disposal (control of the Benefit Reserve values). They can take it as cash, they are not and by our understanding, cannot be obligated to spend it on VB. If this is the choice, they must be informed that the received benefit value is taxable.

Paradigm Health and Wellness Compliance Information – Page 2

- Prodigy reports taxable benefits from Paradigm participation to the employer for reporting on the employees' W4s as taxable benefits.
- Prodigy provides brokers and clients full compliance training and support for Paradigm Health & Wellness:
 - This program is not a tax deduction or tax credit, nor is it “free” or at “no cost” and cannot be described or sold as such a plan.
 - Sales support. Prodigy will provide full sales and service support to all agents and brokers from initial presentation to close of enrollment and beyond.
 - Prodigy has relationships with national enrollment firms if enrollment support is needed.
- Prodigy conducts a minimum of two (2) payroll calls to ensure correctness of payroll set-up and requires a payroll representative of any payroll administrator to be on those calls to ensure proper coding.
- Prodigy provides for Third-Party Administration (TPA) services for billing within our platform. This provides many benefits, including:
 - Avoids any possibility of comingling of funds or appearance thereof.
 - Greater transparency.
 - Ease of billing and payment for client group. One invoice, one payment.
 - Provides direct reconciliation of Prodigy and insurance carrier billing to client group.
 - Payment formats include ACH and EFT. Prodigy is encouraging all new groups to utilize EFT to ensure on-time payments of premiums and fees.
 - Provides for a direct relationship between carrier premium collection department and TPA to easily resolve any invoice reconciliation or premium issues.
- Prodigy advises that the Benefit Reserve is spent down to a minimum value to avoid any unforeseen tax issues. Participants may spend more than their benefit reserve value but must sign off on their Employee Understanding that they acknowledge the additional premium liability per pay.
- We do not integrate with an indemnity plan. The IRS has stated that this is not acceptable and that any indemnity that exceeds the value of services received is taxable.
 - This avoids potential tax implications for our participants.
 - We do not believe that requiring a participant to elect a medical indemnity plan in addition to the plan fee is ‘integration’.
- We integrate with the employer’s major medical benefits. IRS and DOL have stated that any Health and Wellness plan that provides Sec 213d care is considered an accident and health plan, with the plan integration we believe that this also satisfies the requirements of Sec 104.
- Prodigy utilizes 3 unrelated CPA firms in consult of compliance.
- Prodigy provides all plan documents at no cost, including replacement of lost Sec. 125 documents and will soon be providing true SIMRP/WIMPR plan documents.

Paradigm Health and Wellness Compliance Information – Page 3

- Prodigy continuously evaluates our Paradigm Health & Wellness offering regarding compliance, ease of administration and employee participation to create an improved benefit offering.
 - For Example: Prodigy is studying how unused Benefit Reserve values, can be used to create a separate account that can be accessed by the participant for out-of-pocket health expenses or possibly retirement.
- Prodigy is indemnified and holds insurances for indemnification of our clients and participants in the event of our error, or legislative changes etc.
- Our firm has a unified and traceable resource for all sales materials and presentations. This ensures that all material is compliant and maintained regularly, and with whom and where it has been shared.
- Prodigy's leadership utilizes this platform to control who has specific sales documents and collateral, to know whom it is sent to, who views it and if the documents are forwarded to another decision maker or a competitor. This tool aids in compliance throughout the sales process.
- Paradigm Health & Wellness includes a Healthcare Validation Institute Validated health dashboard for use by participants.
- All our program's health coaches are Registered Nurses or mastered-degreed providers (at minimum) ensuring compliance with Sec. 213d for health coaching.