

Glossary – P

Parent-Subsidiary Controlled Group – This entity means one or more chains of corporations connected through stock ownership with a common parent if: (1) 80% or more of the total combined voting power of all classes of stock entitled to vote (or 80% more of the total value of shares of all classes of stock) of each of the corporations, except the common parent corporation, is owned, directly or indirectly, by one or more of the other corporations, and (2) the common parent corporation owns, directly or indirectly, 80% or more of the total combined voting power of all classes of stock entitled to vote (or 80% or more of the total value of shares of all classes of stock) of at least one of the other corporations.

Partners – ERISA is usually not applicable to plans of partners. ERISA's purpose was to correct benefit-related abuses and such abuses are rare or nonexistent with partner plans. For example: A partner in a law firm, whose open-heart surgery was denied by insurer, sued insurer as a non-ERISA matter, claiming his partnership status made him a nonparticipant as far as ERISA was concerned. The court held to the contrary.

Partnerships in Sole Proprietors under Common Control – All employees of trades or businesses (whether or not incorporated) which are under common control shall be treated as employed by a single employer. The regulations prescribed under this subsection shall be based on principles similar to the principles which apply in the case of subsection.

Partner and Sub-S Owner – The IRC provides that a Sub-S owner with less than 2% ownership should be treated as a common law employee.

Plan Practices and Discrimination – A medical reimbursement plan must be nondiscriminatory both on its face and its operation. Operational discrimination is a fact and matter of circumstance. A plan is not considered discriminatory merely because highly compensated individuals (HCI) participating in the plan use a broad range of plan benefits to a greater extent than do other employees participating in the plan. If a plan or a particular benefit provided by a plan is terminated, such termination would cause the plan benefits to be discriminatory.

if the duration of the plan or benefit has the effect of discriminating in favor of HCIs. Therefore, the prohibited discrimination may occur where the duration of a particular benefit coincides with the period during which a HCI utilizes the benefit. The IRC and Treasury Regulations show how to treat a self-funded plan with discriminatory features. It should be noted that plan benefits paid outside the plan, or a medical reimbursement plan for HCIs only, would be deemed 100% discriminatory and fully taxable to the participant.

Plan Sponsor – The plan sponsor is the entity that has the ultimate responsibility for the plan. Such entity is usually the employer but may also include a MEWA or VEBA.

Predecessor Employer – Such service with a predecessor employer means (a) in any case in which the employer maintains a plan of a predecessor employer, service for such predecessor shall be treated as service for the employer, and (b) in any case in which the employer maintains a plan which is not the plan maintained by a predecessor employer, service for such predecessor shall, to the extent provided in Treasury Regulations, be treated as service for the employer.

Premium Only Plan (POP) – A POP permits premiums paid by employees for insurance plan to be converted to pretax. Eligible premiums include health, dental, vision, and group term life up to \$50,000.

Producer – A producer includes the agent, broker, risk manager, or consultant as the case may be.

Prohibited Class – The term is a cover-all term which includes (a) HCE, (b) HCI, (c) HCP, (d) Key Employee, and (e) over 5% shareholders.

Prohibited Group – IRC Section 105(h) deals with amounts paid to HCIs under discriminatory self-funded medical reimbursement plans. In the case of amounts paid to a HCI under a self-funded medical reimbursement plan which is found to be discriminatory for a plan year, IRC-provided tax advantages shall not apply to such amounts to the extent that they constitute an excess reimbursement of such HCIs.

Prohibition of Discrimination – A self-funded medical reimbursement plan satisfies the requirement of the IRC only if: (a) the plan does not discriminate in favor of HCIs as to eligibility to participate, and (b) the benefits provided under the plan do not discriminate in favor of participants who are HCIs.

Protected Group – The IRC requires self-funded health care plans to be nondiscriminatory. There are, however, other federal nondiscriminatory laws which must not be violated.

- Age Discrimination in Employment Act (ADEA)
- Title VII of the Civil Rights Act of 1964
- Equal Pay Act
- Early Civil Rights Acts
- Statutes related to federal financial aid
- Statutes governing federal contractors
- Statutes dealing with veterans

Providers – These entities include all health care providers such as physicians, surgeons, dentists, hospitals, etc.