

CouplesBenefits

Regulatory Compliance Map

WNY48 Startup Weekend • April 2026

Purpose

This document maps the regulatory terrain CouplesBenefits operates in. It is not legal advice. It is a founder's working understanding of what needs to be true, in what order, before the platform can onboard real employers and pay real opt-out dollars to real households. The goal is to show investors, partners, and eventual customers that we know the shape of the problem and have a plan for clearing it.

Operating model assumption

For the purposes of this map, CouplesBenefits is the benefits administrator of record. Participating employers redirect their health benefits contribution to us for opted-out employees, and we issue the opt-out payment as W-2 wages to the employee through our own payroll. This collapses a two-sided coordination problem into a one-sided service and concentrates the compliance obligations on us, where they can be handled professionally.

Summary map

Regulation	What it governs	Our exposure
Section 125	Pre-tax health premiums and cash-in-lieu opt-out payments.	Direct. We sponsor the cafeteria plan that houses the opt-out election.
ERISA	Employee benefit plan administration, fiduciary duty, reporting.	Direct. Administering a welfare plan for employees of other employers.
MEWA rules	Multiple Employer Welfare Arrangements — state-level variation.	Likely applicable. Needs early counsel review to structure around.
ACA affordability	Employer mandate: coverage must be affordable relative to wages.	Indirect but material. Opt-out amount affects affordability math.
Medicare Secondary Payer (MSP)	Prohibits incentives to drop group coverage in favor of Medicare.	Guardrail. Opt-out must be offered uniformly, not targeted.
Payroll & tax	W-2 reporting, federal and state withholding, FICA, FUTA.	Direct. Opt-out payments are taxable wages we must process correctly.
Data & privacy	HIPAA for health plan data, state privacy laws for household data.	Direct. We handle plan details and household information on both sides.

1. Section 125 — the cafeteria plan

What it is

Section 125 of the Internal Revenue Code permits employees to choose between taxable cash and qualified benefits (like health insurance) on a pre-tax basis, through a written plan document called a cafeteria plan. It is the legal vehicle that makes pre-tax premium deductions possible, and it is also the required vehicle for cash-in-lieu opt-out arrangements.

Why it matters to us

Every opt-out dollar we pay to a household must flow through a compliant Section 125 plan. Without one, the IRS's constructive receipt doctrine treats every employee — even those who chose insurance — as if they received the cash, making the pre-tax premiums retroactively taxable. This is a catastrophic failure mode and the reason benefits lawyers are careful here.

Our approach

- CouplesBenefits maintains its own cafeteria plan document as the plan sponsor for the opt-out arrangement.
- The plan document is drafted by a qualified benefits attorney before we onboard any paying employer. Standard templates cost under \$500; a custom document from counsel is low four figures.
- The plan is adopted in writing, in advance of each plan year, with a clear effective date.
- Opt-out eligibility requires the employee to attest that they and their dependents have minimum essential coverage through a group health plan (per IRS guidance on eligible opt-out arrangements). Our intake flow collects and stores this attestation.

2. ERISA

What it is

The Employee Retirement Income Security Act of 1974 governs employee benefit plans, including health and welfare plans. It imposes reporting, disclosure, and fiduciary duty obligations on plan administrators and sponsors.

Why it matters to us

If CouplesBenefits administers a welfare benefit arrangement on behalf of employees of other companies, we are acting as a plan administrator and potentially a fiduciary. That means Form 5500 filings, summary plan descriptions, claims procedures, and a duty of loyalty to plan participants.

Our approach

- Engage ERISA counsel before onboarding the first paying employer. This is non-negotiable.
- Structure the arrangement so the opt-out plan is either (a) a component of each employer's existing ERISA plan with CouplesBenefits as TPA, or (b) a separately-sponsored welfare arrangement with clearly delineated fiduciary roles. Counsel picks the cleaner path.

- Build Form 5500 filing and SPD distribution into the operational runbook from day one.
- Document claims, appeals, and dispute procedures before go-live.

3. MEWA rules

What it is

A Multiple Employer Welfare Arrangement is any welfare benefit plan that covers employees of two or more unrelated employers. MEWAs are regulated at both the federal level (ERISA) and the state level, with significant variation. Some states require MEWAs to be licensed as insurance carriers; others treat them as regulated trust arrangements; a few are relatively permissive.

Why it matters to us

Our core operating pattern — one entity administering benefit arrangements across employees of many different employers — is the exact pattern MEWA rules were written to regulate. We need to know early whether we are a MEWA, what kind, and what state-by-state filings or licensure that triggers.

Our approach

- Commission a MEWA analysis from ERISA counsel as part of the same engagement above. Specific question: is a cash-in-lieu opt-out coordination platform a MEWA under current DOL interpretation?
- If yes, identify the three or four states we would launch in first and confirm the state-level registration requirements before accepting a single employer in that state.
- If the analysis points toward MEWA status being unavoidable, consider partnering with an existing licensed MEWA or benefits trust rather than building from scratch.
- Revisit annually. DOL guidance in this area shifts.

4. ACA affordability

What it is

The Affordable Care Act's employer mandate requires applicable large employers to offer health coverage that is affordable relative to employee wages. Post-2016 IRS guidance specifies that an opt-out payment offered outside of an eligible opt-out arrangement must be added to the employee's share of the premium when testing affordability. An opt-out that fails the eligible opt-out test can push coverage from affordable to unaffordable, triggering employer mandate penalties.

Why it matters to us

We are the reason an opt-out exists in the first place. If our arrangement is structured correctly as an eligible opt-out arrangement (attestation of other group coverage, offered uniformly, etc.), the opt-out amount is excluded from the affordability calculation. If not, we have just cost our customer an ACA mandate penalty and they will never come back.

Our approach

- Structure every opt-out offer as an eligible opt-out arrangement under Notice 2015-87 and subsequent guidance. Attestation, uniform offering, and group-coverage-only requirements are hard-coded into the product.
- Surface the affordability implications to HR during employer onboarding. "Here is how this affects your ACA reporting" is part of our standard pitch.
- Generate audit-ready documentation for each employer showing the opt-out amounts paid, to whom, and under what attestation.

5. Medicare Secondary Payer (MSP)

What it is

MSP rules prohibit employers from offering any financial or other incentive to an individual entitled to Medicare to not enroll in, or to terminate enrollment in, the group health plan. The rule is designed to prevent employers from pushing Medicare-eligible employees off employer coverage onto the federal program.

Why it matters to us

An opt-out payment is exactly the kind of "financial incentive" MSP rules scrutinize. If an employer offers the opt-out only to employees whose spouses have coverage — but not to employees who happen to have Medicare as their other coverage source — that selective offering can itself be a violation. Conversely, extending the opt-out to Medicare-eligible employees as an incentive to drop group coverage is a violation.

Our approach

- Offer the opt-out uniformly to all eligible employees under the cafeteria plan, not selectively.
- Exclude Medicare-based attestation as a qualifying "other coverage" in our intake flow. The opt-out is only available when the alternative coverage is group health insurance.
- Include MSP review in the standing legal checklist before any product change that touches eligibility rules.

6. Payroll and tax

What it is

Opt-out payments are W-2 wages, subject to federal and state income tax withholding, FICA (Social Security and Medicare), and FUTA. They are not pre-tax. They appear on the employee's pay stub and year-end W-2 like any other cash compensation.

Why it matters to us

If we are the payer of record, we are responsible for withholding, depositing, and reporting. This is not a regulatory swamp the way ERISA is — the rules are clear and the infrastructure is commoditized — but getting it wrong at scale creates real liability and real angry employees at tax time.

Our approach

- Use an established payroll partner (Gusto, Rippling, Check, or similar) rather than building payroll infrastructure. This also avoids money transmission licensing issues.
- Show employees both gross and net opt-out amounts in the UI so expectations are set correctly before they sign up.
- Generate W-2s (or ensure our payroll partner does) for every household that receives a payment in a given tax year.
- Confirm state-level wage reporting requirements for every state we operate in.

7. Data and privacy

What it is

HIPAA governs the use and disclosure of protected health information by covered entities and business associates. State privacy laws (CCPA in California, SHIELD in New York, and a growing patchwork elsewhere) impose additional obligations on how we collect, store, and share household-level information.

Why it matters to us

We collect plan details, dependent information, and attestations across two employers per household. That data is sensitive under HIPAA and under state privacy regimes. A breach or mishandled disclosure is both a regulatory event and a trust-destroying event for a young company.

Our approach

- Sign a Business Associate Agreement with every participating employer as a standard part of onboarding.
- Design the system to collect the minimum necessary information. Plan type, coverage category, and attestations — not full medical records.
- Encrypt data at rest and in transit. Access controls and audit logs from day one.
- Privacy policy written by counsel before any employee data is collected in production.

Pre-launch compliance roadmap

The following is the sequence we would execute between winning WNY48 and onboarding our first paying employer. Timing is approximate; the sequencing is not.

Phase 1 — before first paying customer

- Engage ERISA and benefits counsel. Single firm preferred, ideally one that has worked with ICHRA or HRA administrators.
- Commission (a) a MEWA analysis, (b) a Section 125 plan document, (c) a template Business Associate Agreement, and (d) a privacy policy.
- Stand up payroll partnership. Evaluate Gusto, Rippling, Check, and at least one regional alternative.
- Build the eligible opt-out attestation flow into product.

Phase 2 — first paying customer

- Sign BAA with employer before any data is exchanged.
- Confirm state of operation and any state-level MEWA or benefits administration registrations.
- Dry run the full cycle — attestation, election, payroll, W-2 — with a single employee before opening to the full workforce.

Phase 3 — scaling

- Each new state of operation gets a state-law review before onboarding.
- Annual compliance review with counsel, including re-examination of MEWA status, DOL guidance changes, and ACA guidance updates.
- Form 5500 and any state filings on calendar.
- SOC 2 Type I within 18 months of first paying customer, Type II within 30.

What we are explicitly not doing

- **Not holding customer funds.** — Employer contributions flow to payroll, not to a CouplesBenefits bank account we disburse from. This keeps us out of money transmitter licensing.
- **Not issuing insurance.** — We coordinate existing employer coverage; we do not underwrite or bear risk.
- **Not giving tax or legal advice to households.** — We present accurate information and tooling. Households make their own decisions and have access to their own advisors.
- **Not operating in every state on day one.** — Launch states chosen based on MEWA posture, population of dual-earner households, and ease of benefits administrator registration. New York is the obvious home state.

Open questions for counsel

- Does the DOL consider a coordination-layer SaaS that sponsors its own cafeteria plan for cross-employer opt-outs a MEWA?
- Can the opt-out be structured as an employer-paid administrative fee to CouplesBenefits plus a separately-issued wage payment from the employer's own payroll, thereby keeping us out of the payroll path entirely?
- What is the cleanest structure for sharing ACA reporting responsibility between the employer and CouplesBenefits?
- Are there states where the opt-out amount is treated differently for state income tax or state mandate purposes?

This document is a founder's working map, not legal advice. All structural decisions will be reviewed and approved by qualified ERISA and benefits counsel before CouplesBenefits onboards a paying employer.