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Medical Expense Reimbursement Plans (MERP)

A Smarter Benefit Strategy for Brokers and Employers

What is MERP?

MERP is a tax-advantaged fringe benefit plan under IRS Section 105.

Employers reimburse employees for out-of-pocket medical expenses such as deductibles, copays, and coinsurance.

It can be offered under a Cafeteria Plan for added tax efficiency.

How MERP Works

Raising the plan deductible and reimbursing employees for part of the cost helps reduce premiums while increasing benefits.

Group Insurance: Employer self-insures the difference between the higher plan deductible and the employee's lower deductible.

Vision/Dental: Cover only selected expenses to give essential benefits without high insurance premiums.

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MERP vs. HRA

MERP

Reimburses actual incurred expenses post-claim; follows carrier coverage for in-network services.

HRA

Pays for any medical expenses as defined by the IRS.

MERP offers expanded benefits and reduced costs;
all funds not used to pay claims are returned to the employer.

Key Benefits for Employers & Brokers

Employer Benefits:

- Substantially lower premiums with better benefits for employees.
- Pre-tax savings with limited risk to the employer. (max exposure is OOP limit per member)

Broker Advantages:

- Adds flexibility without carrier limitations.
- Helps retain and attract clients with cost-sensitive strategies.
- Savings option for employers not interested in self-insured options.

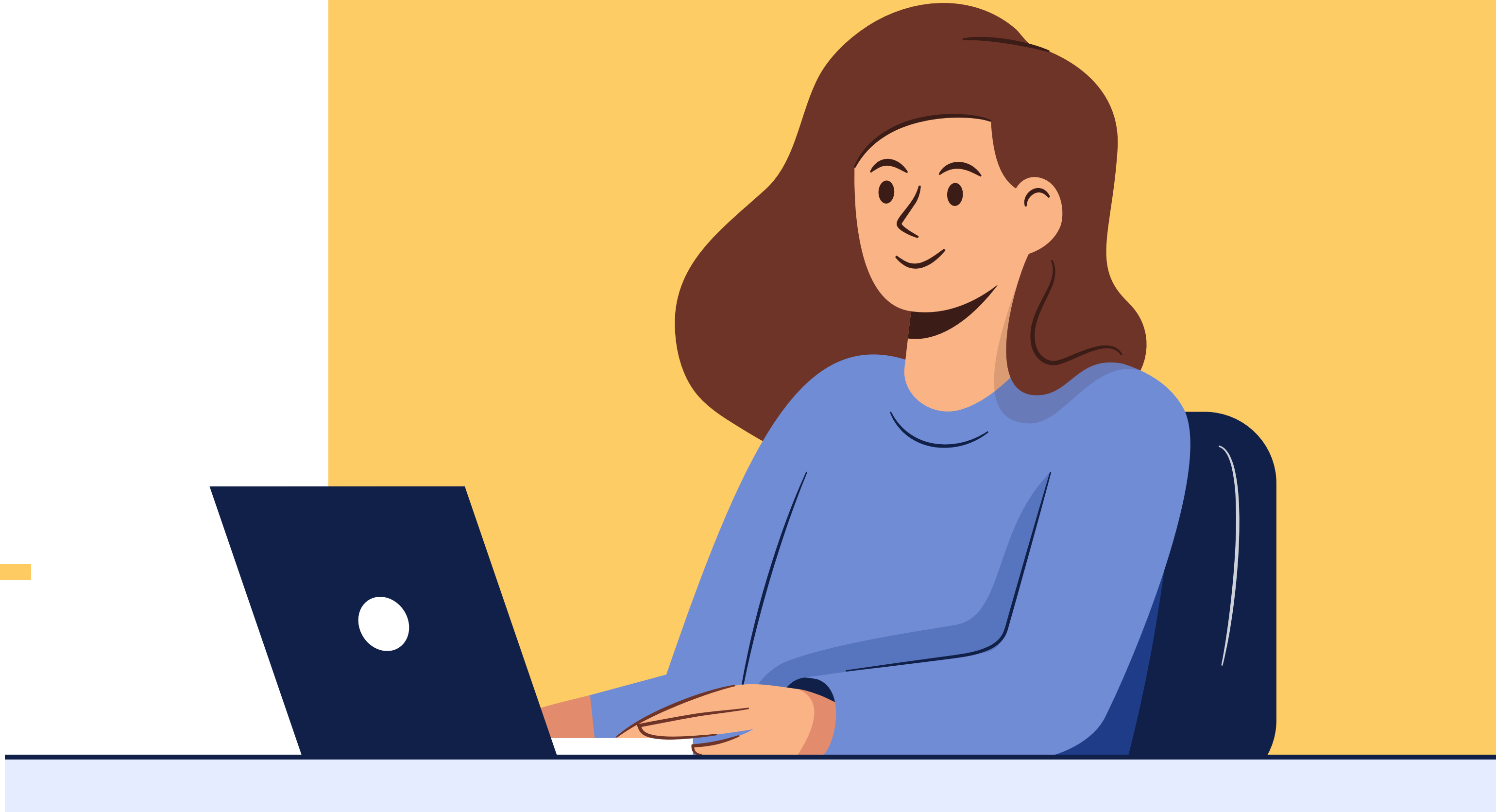
Design Flexibility

MERPs can be customized for coverage types:

All medical expenses

Vision / dental only

Compatible with all major carriers
(Aetna, Cigna, Kaiser, United, etc.)



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Compliance & Eligibility Requirements

Two Key Requirements (IRS Section 105)

1
Benefits Test

Same benefits for Highly Compensated Employees (HCEs) and all other employees.

Uniform limits for all participants and dependents.

All expenses need to be paid from employer funds.

2
Eligibility Test

Pass at least one:

- 70% of non-excludable employees participate.
- 70% eligible and 80% of those participate.
- No discrimination in favor of HCEs.

Filing Requirements

Separate SPD prepared by EWA for plan sponsor for MERP.

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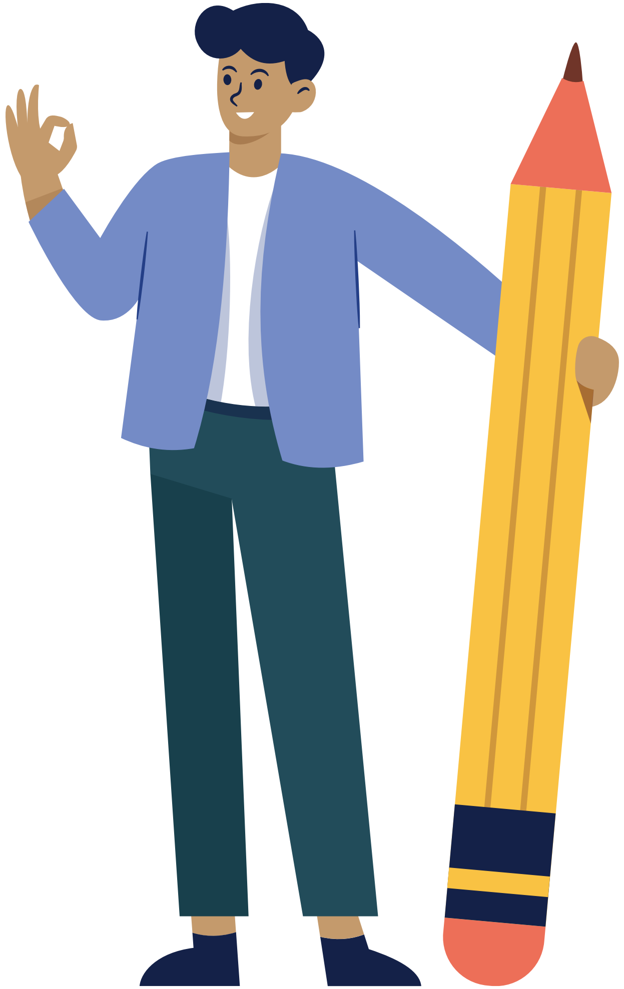
Why EWA Stands Out

- Over **40 years** of experience administering MERP plans.
- Hands-on administration with customized reporting (e.g., mid-year and claim-level analysis).
- Provides a seamless user experience for brokers and employers.
- Member/HR/Broker portals all built on Salesforce, providing security and a better member experience.
- Set up as secondary payor, reducing the need for members to submit claims to EWA for reimbursement.



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Requirements to quote

Census (i.e. total members, total EEs)

Current costs

Quote for bronze or high deductible plan

Quote for a platinum or gold for savings comparison

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Let's build a custom MERP strategy for your clients.

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