

MERP: Medical Expense Reimbursement Plans

A MERP lets an employer reimburse employees for qualifying medical expenses. It is usually paired with a plan redesign and works alongside the health plan.

	Traditional plan	Redesign with a MERP
Employee exposure	Set by deductible and copays	Plan shifts some first-dollar cost to employees
Employer role	Pays premium; plan pays claims	Pays premium and reimburses part of that exposure
Cost pattern	Flat premium regardless of use	Premium plus reimbursements for actual use

HOW IT WORKS

- The plan is redesigned so employees carry more of the early costs
- Employees pay a qualifying expense, then submit it for reimbursement
- The employer reimburses the amount the design calls for, tax-free when set up and run under the rules

THINGS TO UNDERSTAND

- Employee education is central; unclear communication creates confusion
- The plan must be set up and run under IRS rules with a qualified advisor
- Fit depends on plan design, funding, group size and claims

QUESTIONS TO ASK

- How much exposure would employees carry, and how are they reimbursed?
- What would our total cost look like in a high-use year?

Takeaway: A MERP pays for actual use instead of a flat premium. It can lower overall cost, but only works when employees understand it.