SIMRP Compliance Overview

Download our PDF of 20 Most Common CPA Questions & Answers re a SIMRP

1. The program is called the Self-Insured Medical Expense Reimbursement Program, (SIMRP).
2. The Federal Government created this "Participatory" model under the Affordable Care Act (ACA). Federal Register, Volume 78, June 3, 2013, page 33,161
3. This Participatory Preventative Care Management Care Program has an emphasis on Wellness. This model is an integrated 105-plan which requires a minimum of one activity per year.
4. 42 U.S. Code 300gg-4 (j)(3)(c).

Companies, for profit, non-profit, private, or public sector can implement a SIMRP as a savings tool. This program frees up federal tax dollars for employers. The average net FICA savings is $500 to $600 per annum per employee.

This is done at no cost to the business.

1. In addition, employers in applicable states can reduce pre-taxable payroll, therefore reducing work comp (example, California). The amount you pay to provide benefits toward a qualified Section 125 Cafeteria Plan is not considered payroll. The amount your employees deduct from their own paycheck to contribute to the Cafeteria Plan is also not going to be considered payroll.
2. So the Employer could also save an average of $12,000 a year per person in gross payroll that the employer would not owe on worker's comp.
3. Employers can then utilize the new found savings in several ways. It can go back into their bottom line or a lot of employers will choose to reallocate the new found monies toward things in their business that are important but might have been cost prohibitive in the past.

The program uses 3 tax provisions under the Internal Revenue Service Codes:

How do these I.R.S. codes work together?

1. **Section 125 Cafeteria Plan**

Plan Document uses Section 125, funded under 106(a), allowing for the "pre-taxing" of 213(d) compliant medical expenses

2. **Participatory Preventative Care Plan Document -** 213(d) Compliant

Specifies how the 213(d) compliant benefits will be provided, and permits the "pre-taxing" of the preventative care premium

3. **SIMRP Plan** 105-11

As defined in 26 CFR 1.105-11 reimburses employees dollar for dollar for benefits not claims

Here is how it works:

Submit a Quick Census and we will then provide a customized healthcare cost analysis showing the employee's additional benefits and the cost savings to you the employer.

1) The employee makes a pre-tax premium payment to the (SIMRP) medical health plan each paycheck. (Just like he/she can for HSAs, HRAs, 401Ks, Pensions, Health Insurance Premiums etc…)
2) The employee's taxable income is reduced because the premium is "pre-tax" and is set up on a Section 125. (*lower taxable income also potentially reduces workman's comp premiums.)
3) The payroll tax savings is realized by the employer and the employee because neither party is required to pay tax on pretax deductions that utilize the section 125 /Cafeteria Plan.
4) A "SIMRP" is sanctioned under Section 105(b) and the IRC (1.105-11). A SIMRP is a separate written plan for the benefit of employees that provides a tax-free reimbursement per pay period, on a tax-free basis and *usually* no reduction in their take home pay. Employers have a FICA savings per each participant.
5) The employee's participation in the wellness program generates a "Preventative Medical Reimbursement" payment to the employee. This is complaint under IRC code 213(d). This process produces the funds which create the wellness reserve of an average of $150 per month.
6) We use the wellness reserve to purchase life insurance, accidental insurance, critical illness, disability and cancer and/or any of the allowable types of products which are deemed "ancillary" by the IRC.
7) Based on the structure of the program and compliant procedures the employee experiences little or no reduction in his/her NET take home paycheck. The employer experiences a reduction in their payroll tax obligations on each payroll run beginning in month one of the program, once the pay to play administrative fees are met by the employer through the structure of the section 125 plan documents.
8) A MERP differs from an FSA in that it funds are not set aside ahead of time. There's no minimum or maximum amount by law.