ADVISORY REPORT

“ARE YOU SURE THIS IS COMPLIANT?”

PrimeCare Lifestyle Solutions

Why PLS Is the Only Fully Compliant Plan in a Benefits Marketplace Overrun with Gimmicks, Gobbledygook, and Good Intentions Gone Bad

Executive Summary

The employee benefits market is overflowing with more nonsense than a goat rodeo on roller skates.

We've got:

- MERPs dressed up as wellness programs,
- SIMERPs that sound like upper-respiratory infections,
- WIMPERs that live up to their name,
- MEC-bundling experiments that would make a chemistry teacher nervous,
- and promoters who brag about compliance the way a toddler brags about brushing their teeth.... passionately, but not convincingly.

These programs are about as compliant as a toddler hopped up on Red Bull.

PLS stands alone as the only program that doesn't try to outsmart the IRS or hypnotize regulators with wellness fairy dust. Instead, PLS uses real fixed-indemnity insurance, real risk transfer, real claims deflection, and real economic substance.... the exact ingredients federal law actually requires.

Everything else is either a compliance hazard, a liability piñata, or a PowerPoint fantasy with ambition.

1. The Big Problems With MERP, SIMERP, and WIMPER Plans

If Wishful Thinking Were a Compliance Strategy, These Plans Would Be Untouchable. It Isn't.

Our compliance analysis states it plainly:

MERP/SIMERP/WIMPER programs fail §105(b), lack risk transfer, ignore substantiation, and collapse the minute the IRS looks at them sideways.

MERP, SIMERP & WIMPER

But here's the plain-spoken version:
These "reimbursement" plans twist regulations in more ways than a meth lab with a drive-thru window.

1.1 They turn employers into accidental insurance companies

To be "compliant," employers must:

- adjudicate medical claims,
- verify receipts,
- maintain HIPAA sensitive documents,
- build IRS audit trails,
- and pray they don't sneeze and violate §105(b).

This isn't a benefit plan.
This is involuntary insurance cosplay.

1.2 They rely on "wellness triggers" with all the medical significance of a fortune cookie

If "wellness incentives" trigger when you blink twice.

If responding "YES" to a text qualifies as medical care, then I qualify as a neurosurgeon for taking Advil twice a month.

The IRS calls this "insufficient."
Everyone else calls it "cute but no."

1.3 They recycle wages like a laundromat on discount day

IRS CCA 200626030 says:
If employees fund it, it's wages — not insurance.

MERP, SIMERP & WIMPER
Yet these programs continue funneling salary reductions through a maze of wellness slogans and calling it tax-free reimbursement.

You can dress up a dog like a horse, but it's still not winning the Kentucky Derby.

1.4 They create enough liability to jump-start an ulcer

These designs commonly trigger:

- IRS back taxes
- ACA affordability penalties
- ERISA fiduciary violations
- HIPAA violations
- DOL investigations
- State insurance enforcement
- And, most famously, employer regret

These plans don't reduce liability.
They load it into a wheelbarrow, set it on fire, and roll it through HR.

2. The PLS Difference: The Only Program Not Playing Peek-a-Boo With Federal Law

PLS doesn't try to "innovate" around regulations — it cooperates with them.

PLS separates itself from the gimmick crowd because:

PLS does NOT reimburse medical expenses. PLS avoids §105(b) entirely and uses state-regulated fixed-indemnity insurance that pays benefits based on insured events — not receipts.

Which means:

- No substantiation
- No receipts
- No employer risk
- No wage recycling
- No "wellness attestation magic"
- No IRS déjà vu
- No ERISA heartburn
- No "but our promoter said..." moments.

PLS uses insurance, not accounting gymnastics.

And the IRS knows how to handle insurance.
They've only been doing that since 1913.

3. Why PLS Eliminates Employer Risk Instead of Wrapping It in Tinsel and Handing It Back

MERP/SIMERP/WIMPER designs make employers:

- the insurer,
- the claims department,
- the HIPAA vault,
- the tax filer,
- the recordkeeper,
- and the fall guy.

PLS makes employers:
just customers of an insurance policy.

The insurer takes the risk, handles the claims, manages compliance, and maintains all records.

Employers handle exactly zero receipts.
And zero receipts = zero trouble.

4. Why PLS Does NOT Bundle MEC With Indemnity

Because combining them creates a regulatory gumbo so toxic it should be labeled "hazardous waste."

Your MEC advisory says:

Bundling MEC with indemnity creates ACA affordability failures, ERISA "Voluntary Plan Safe Harbor" issues, and carrier conflicts.

MEC with Indemnity...

Bundling MEC is like wrapping two porcupines together and hoping for a cuddly pet.

PLS wants no part of that disaster.

PLS keeps MEC far, far away from indemnity — because that's what compliance requires.

No bundling.
No Frankenplans.
No ACA penalties waiting to pounce.

5. REAL Claims Deflection: PLS Does It, Other Programs Theatrically Pretend To

"If claims deflection were ranked, PLS would be at the top of the standings and the others would be spectator seating."

Other programs claim they "deflect claims" because:

- employees click a text,
- complete a survey,
- or enjoy a "wellness moment."

This is not claims deflection.
This is aspiration disguised as strategy.

PLS, however, deflects real medical claims — with receipts to prove it. (New Milliman Study coming soon.)

PLS uses **actual insurance,** which means:

- Routine medical visits get absorbed by indemnity benefits
- Utilization shifts OFF the major-medical plan
- Employees seek earlier, cheaper care
- Catastrophic claims shrink
- Renewal volatility decreases
- Actuaries can measure actual deflection
- Employers see fewer high-cost shocks

PLS doesn't pretend claims disappear.
PLS shifts them — legally, actuarially, measurably.

Other plans couldn't deflect a claim if you handed them a shovel and instructions.

They don't move utilization.
They don't affect spending.
They don't pass audits.
They don't reduce claims.
They only reduce credibility.

6. Economic Substance — Why PLS Has It and the Others Have the Structural Integrity of a Wet Sponge

(or, Why the IRS Has the Patience of a Saint Except When Plans Lack Substance)

There is a phrase promoters fear more than “DOL inquiry”:
Economic Substance Doctrine (IRC §7701(o)).

It asks a simple question:
Does this plan actually DO anything?

Most MERP/SIMERP/WIMPER programs do not.
They create no risk transfer, no meaningful economic shift, and no legitimate business purpose — just a paper trail of recycled wages wearing a Halloween mask.

(Even fully insured plans must have economic substance! Pretending to have it is not the same as actually having it.)

This is why the IRS dislikes them:

They look like:

- salary in a costume,
- reimbursements that don’t reimburse,
- “insurance” without risk (not insurance under Federal definition),
- tax benefits without purpose,
- borrow from one qualified plan’s assets to pay another qualified plan’s claims
- and structures whose only economic effect is… tax savings.

The IRS hates that more than a cat hates bath time.

PLS, on the other hand, is economically substantive

Because PLS:

- uses real insurance,
- shifts real claims,
- transfers real risk,
- reduces real employer exposure,
- measurably lowers major-medical spending,
- improves financial stability,
- and produces a legitimate, non-tax business purpose.

PLS isn't pretending to deliver value.
It actually does.

7. PLS Has Unique Cash-Flow Advantages — and the IRS Counts That as Economic Substance

Cash flow isn't a loophole; it's a sign the plan actually works.

One of the IRS's favorite tests for economic substance is whether a structure: changes the taxpayer's economic position in a meaningful, non-tax way.

Cash-flow improvement counts — and PLS delivers it in spades.

PLS improves cash flow because insurance pays the claims

With PLS:
- predictable medical claims move off the employer plan,
- indemnity benefits cover routine costs,
- catastrophic claims drop due to earlier care,
- renewal volatility shrinks,
- employers spend less on large claims,
- and cash flow becomes smoother and more predictable.

This is real economic substance — not reheated marketing jargon.

MERP-style plans offer mythical cash flow improvements

Their "cash flow" comes from:
- salary reductions,
- employee-funded accounts,
- unsubstantiated reimbursements,
- and wishful thinking.

The IRS views this the way a Texan views tofu:
with suspicion and mild offense.

PLS cash flow = real economic value.

Other programs' cash flow = audit-enticing fiction.

8. Side-By-Side Comparison Chart

PLS vs. Programs That Should Come With a Fire Extinguisher

Feature	PLS (Compliant)	MERP/SIMERP/WIMP ER/MEC Bundles (Disasters)
Structure	Real indemnity insurance	Faux reimbursement scheme
Substantiation	None	Employer drowning in receipts
Economic substance	Strong	Nonexistent
Cash flow	Real, actuarial, measurable	"Cash flow" written in crayon
Claims deflection	Actual & proven	"Wellness magic"
MEC bundled?	Never	Often, disastrously
Wage recycling	None	Frequent
Risk transfer	Full	Zero
IRS survivability	High	Bring a lawyer and a snack

Conclusion

PLS isn't just the most compliant plan — it's the only plan that won't leave employers sweating through an audit.

PLS delivers:

- real insurance,
- real economic substance,
- real claims deflection,
- real cash-flow improvement,
- real risk transfer,
- and real compliance.

Everything else delivers:

- imaginary wellness benefits,
- imaginary claims savings,
- imaginary compliance,
- and very real IRS letters.

PLS is the only program that won't leave employers explaining themselves to auditors while sweating through their dress shirts.

PLS works because it isn't pretending to be creative.
It isn't chasing loopholes like a hungry raccoon.