

A MARKET UPDATE FOR "MEC" PLANS

Written By Laura Carabello

If MEC is not in your lexicon of healthcare acronyms, it's time to add it to your glossary.

The requirements for Minimal Essential Coverage (MEC) plans remain an important consideration for self-insured employers despite Congressional turmoil regarding enhanced subsidy expiration in 2026 for plans offered under the Affordable Care Act (ACA). Core financial assistance, the basic subsidies, are not ending. But a decision to sunset the "enhanced subsidies" that were added during the pandemic to make coverage even more affordable has been a continual see-saw.

Health policy experts caution that changes to the enhanced subsidies could destabilize the insurance marketplace by encouraging healthier people to opt out of ACA-compliant plans, leaving a risk pool tilted toward sicker individuals. This could lead to rising premiums that impact plan sponsors, with fewer affordable options for those who need comprehensive coverage.

MEC plans are available and more important than ever in the current, turbulent market. MECs are a type of health insurance plan that satisfies the ACA requirement for health coverage. It may sound simplistic, but the complex requirements merit the attention of employers – large and small -- to understand MEC and comply with its associated mandates for affordability and minimum value (MV) in order to serve employees and avoid specific financial penalties.

A small business with 50 or more full-time or full-time equivalent employees (those working 30+ hours a week) is recognized under the ACA as an Applicable Large Employer, or ALE. MEC refers to a health plan that provides basic health benefits, primarily focusing on preventive and wellness services, to satisfy the health coverage requirements of the ACA and avoid economic consequences. MEC plans cannot deny coverage or impose pre-existing condition exclusions, ensuring access for employees with pre-existing medical conditions without fear of rejection.

Todd E. Archer, president, Concierge Third Party Administrator, clarifies that certain MEC services go beyond preventive care, "To address consumer demands, though, a lot of MEC plans have expanded coverage to include non-preventive services to include routine office visits, chiropractic, and emergency room visits. Some also include indemnity products for hospitals, accidents and dread diseases."

The business mandate should not be confused with the individual mandate that many people may remember, which requires individuals to have health insurance to avoid a federal tax penalty. It was rescinded in 2019, although certain states may still require residents to have MEC or face a state-level penalty.

In addition to the plans captured above, examples of MEC include:

- Coverage provided to PEACE Corps volunteers
- Certain veteran health coverage
- Student health plans provided by a college or university while enrolled

MEC plans typically come in three "different strengths":

- Standard MEC plans are ACA-compliant and include coverage for wellness, preventative services, prescription discounts, and telehealth services.
- Enhanced MEC plans take coverage one step further than standard plans and are aimed at attracting and retaining top talent by also including primary and urgent care visits with low copays and discounted specialist and laboratory services.
- The highest level MEC plans include the enhanced MEC plan benefits along with added coverage such as prescription coverage and low copays.

Source: SBMA Administrators

WHAT'S COVERED UNDER A MEC?

MEC plans are described as "skinny plans" that concentrate on preventive care but typically do not cover major medical expenses like hospitalization, emergency services or specialist visits.

Benefit Management Administrators, Inc. (BMA) reports that there are 63 preventive services covered at 100% under the required government list of Preventive and Wellness Benefits when a member visits a network provider. Services covered include immunizations, blood pressure screenings, diabetes and cholesterol screenings, prenatal visits for pregnant women and more.

Below is a partial list of the covered preventive services for adults, although basic MEC coverage specifically for women also includes preventative services like cancer screenings (cervical, mammograms, BRCA counseling), contraception and STI screenings. Pregnant women have specific MEC benefits such as gestational diabetes screening, anemia screening, folic acid supplements and prenatal care services like labor and delivery.

Covered Preventive Services for Adults

1. Abdominal Aortic Aneurysm one-time screening
2. Alcohol Misuse screening and counseling
3. Aspirin use for men and women of certain ages
4. Blood Pressure screening
5. Cholesterol screening
6. Colorectal Cancer screening
7. Depression screening
8. Type 2 Diabetes screening
9. Diet counseling
10. Hepatitis B screening for people at high risk
11. Hepatitis C screening
12. HIV screening
13. Immunization vaccines for adults (Hepatitis A, Hepatitis B, Herpes Zoster, Human Papillomavirus, Influenza (Flu Shot), Measles, Mumps, Rubella, Meningococcal, Pneumococcal, Varicella, Tetanus, Diphtheria, Pertussis)
14. Obesity screening and counseling
15. Sexually Transmitted Infection (STI) prevention counseling
16. Tobacco Use screening and cessation
17. Syphilis screening for adults at high risk
18. PrEP (Pre-Exposure Prophylaxis – HIV prevention medication for HIV-negative adults at high risk)
19. Lung cancer screening for adults at high risk
20. Statin prevention medication for adults at high risk
21. Tuberculosis screening for certain adults without symptoms at high risk
22. Fall Prevention for adults 65 years and over in a community setting

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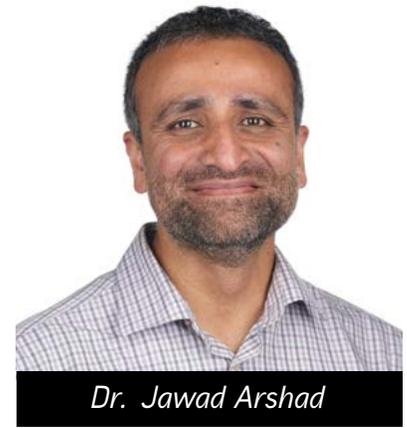


Archer maintains that there is value to employees who don't need, want or can't afford a full major medical health plan.

"Communication is key to making sure the participants understand that they are purchasing a limited benefit plan that does not cover everything a major medical plan does," he advises. "For groups with many underserved employees (part-time, low hourly paid and/or seasonal workers), there is definite value."

He also observes a recent trend among particularly younger workers who are healthy, electing a limited benefit plan as they don't perceive the need for full major medical benefits with the resulting cost.

"While you could debate the longer-term implications of this decision, it is happening," he says. "If an employer doesn't feel like they can afford to continue with the cost of a full major medical plan and wants to replace it with an enhanced MEC plan, the disparity in benefits offered will universally be viewed as having no value. MEC plans are best suited to serve the needs of specific demographic groups and not as a cheap replacement for a true major medical plan."



Nine out of ten healthcare encounters occur outside hospital walls, states Jawad Arshad, MD, FACEP, CEO, UnifyWell, an ACA-compliant plan that helps improve cash flow by decreasing FICA taxes, www.unifywellbenefits.com

"As a physician, I know that to bend the curve on disease, we must eliminate barriers to care, lower medication costs, and focus on wellness," he says. "We built UnifyWell to bring meaningful access where care truly happens—throughout the outpatient setting."

Employers can offer the program as a stand-alone benefit for part-time or full-time employees, or as a supplement to an existing group health plan.

"Members receive unlimited, free virtual primary care, urgent care, and counseling, plus free generic prescriptions from local pharmacies," he explains. "They also enjoy live coaching, group sessions, tailored education, and discounted in-person care for office visits, labs, imaging, dental, and vision."





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By shifting routine care to this efficient model, Dr. Jawad affirms that this approach reduces employee out-of-pocket costs while decreasing claims for group health plans, adding, “Using compliant, tax-advantaged strategies, employers can not only offset 100% of the cost but also save \$40–\$50 per employee per month in FICA taxes.”

THE DOWNSIDE OF LIMITED COVERAGE



Ali Panjwani

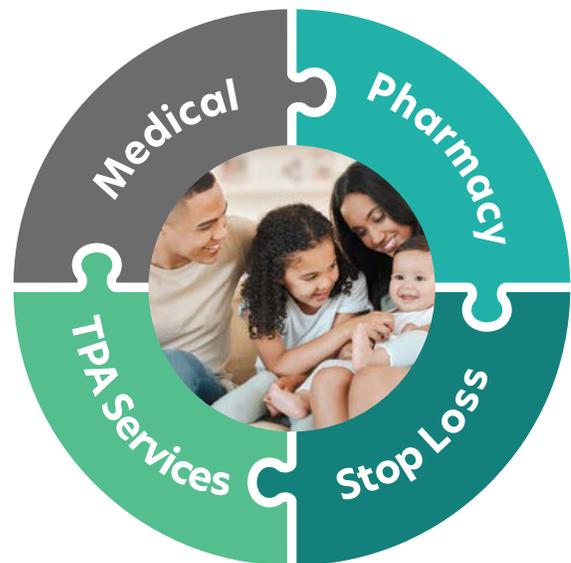
In essence, an MEC plan is a cost-effective way for employers to offer foundational health benefits that meet the minimum legal requirement to avoid a fine, while promoting basic wellness among employees. While MEC plans satisfy the ACA's basic coverage mandate, they may offer only a limited set of benefits, often including just preventive care.

MEC plans can look like a smart cost-cutting move for employers because they're dramatically cheaper than major medical coverage and still let companies say they “offered insurance.”

Ali Panjwani, founder and CEO, Merit Medicine, cautions, “On a spreadsheet, that's a win: lower premiums, broader eligibility, and reduced ACA exposure. But the savings shift risk onto employees. MEC often covers only preventive basics, so workers facing real illness or injury are left exposed to crushing bills, delayed care, and medical debt. Over time, which erodes health, productivity, and retention. The people most likely to enroll, lower-wage or higher-risk workers, are exactly the ones who can least afford a thin safety net.”

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MEC plans do not meet the minimum value (MV) standard set by the ACA and may not cover a substantial portion of medical costs, leaving employees with significant out-of-pocket expenses for major healthcare needs. It is important to note that MEC may be insufficient for those with serious health conditions and who anticipate needing more comprehensive medical care.

As a result, employees may be dissatisfied with MEC, which can lead to frustration when they discover that their essential medical needs are not adequately covered, potentially affecting morale and job satisfaction. Finally, MEC plans may have a restricted network of healthcare providers, and employees could find that their preferred doctors or hospitals are not included in the plan's network, limiting their choices for care.

It's all part of managing a growing workforce and navigating ACA compliance, which can appear to be overwhelming. It's not just about avoiding penalties -- it stands as a reflection of the organization's commitment to employees' health and well-being, symbolic of an employer's contribution to raising workforce morale and building loyalty.

What About Costs?

Since MEC only offers preventative coverage, the cost is less than traditional group health insurance. For employers considering MEC plan designs, BMA recommends combining an MEC plan with a limited medical plan. This combination provides additional benefits and is more desirable for employees, with additional benefits that are included but are not limited to discount plans, virtual doctors' visits, and restricted coverage for routine doctor visits. Depending upon the plan design, it may also offer limited hospital benefits.

Cash-Pay Option



Joey Truscelli

“Employers can offer a MEC plan built around a cash-pay model for routine and preventive services,” says Joey Truscelli, 30-year veteran of the healthcare payment system and CEO of My Patient Global™. “When employees need a doctor visit, labs, or basic medications, they access pre-set, upfront prices—like a \$45 primary care visit—through streamlined cash-pay tools, such as the ones we offer through My Patient Global. Providers are paid directly and immediately, eliminating claims, lowering administrative costs, and keeping the MEC affordable. Cash-pay brings clarity, speed and real cost control to MEC programs—and everyone benefits.”

Archer weighs in on the topic, “A MEC plan would not, per se, save an employer plan money. It could, however, offer the employer a way to expand the coverage they offer to all classes of their employees on a cost-effective basis. It also usually avoids the employer's shared responsibility and provides the employee with a 1095, which could reduce potential audit risks. It can also help an employer who is struggling to find and keep the employees needed to operate the business in tight labor market conditions.”

What's Not a MEC

HealthInsurance.org explains that policies that are not major medical coverage and not regulated by the ACA do not count as MEC. However, employer-sponsored "skinny" plans, as noted above, do count as MEC even though they are not major medical coverage.



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Here's what is NOT considered MEC:

- Short-term health insurance
- Medical discount plans
- Limited-benefit plans
- Critical illness insurance
- Accident supplements
- Travel medical insurance
- Dental/vision plans
- Family planning Medicaid, tuberculosis-specific Medicaid and emergency-only Medicaid.
- Pregnancy-related Medicaid and medically needy Medicaid may or may not be considered MEC, depending on the state
- Healthcare sharing ministries
- Indian Health Services coverage, although American Indians and Alaska Natives have access to year-round enrollment in the Exchange, with zero-cost-sharing if income doesn't exceed 300% of the poverty level.

Penalties of Non-Compliance

Offering an MEC plan helps employers avoid a major "Part A" IRS penalty: failing to provide any coverage to full-time employees and their dependents (children up to age 26) or offering coverage that does not meet affordability and minimum value (MV) standards.

1. Section 4980H(a) Penalty ("A Penalty")

Applies if an employer does not offer MEC to at least 95% of its full-time employees (and their dependents). The penalty is triggered if even one employee receives a premium tax credit through the Health Insurance Marketplace.

2025 Annualized Penalty: \$2,900 per full-time employee (with the 2026 estimate at \$4,480 assuming ~3% inflation), excluding the first 30. An employer with 100 full-time employees who fails to provide coverage will face a penalty calculation like this:

2. Section 4980H(b) Penalty ("B Penalty")

Applies if an employer offers coverage that is either unaffordable or doesn't provide minimum value, and at least one employee receives a premium tax credit to purchase their own coverage.

2025 Annualized Penalty: \$4,350 per full-time employee receiving the credit. The IRS will only impose the larger of the two penalties, capped at the amount of the "A Penalty."

Source: ABIG Solutions

PRO-ACTIVE STRATEGIES FOR PENALTY AVOIDANCE

Here's a compendium of recommendations from industry advisors:

- Leverage technology and automation:
 - Use software to automatically track employee hours, eligibility, and costs to help ensure compliance and mitigate audit risks.
 - Utilize a compliance management system to centralize evidence collection and manage various audit requests.
- Confirm plan and coverage details:
 - Partner with an insurance provider to verify that offered plans explicitly meet MEC and Minimum Value (MV) standards.
 - Confirm that the plan meets prescription drug coverage standards.
 - Regularly review and reassess the plan's cost-sharing structures to ensure they align with IRS affordability safe harbors.
- Educate and communicate with employees:
 - Clearly explain to employees what a plan covers (and doesn't cover) in plain, user-friendly language.
 - Educate employees about their healthcare options and how their choices can impact their long-term financial and healthcare well-being.
- Stay informed and seek expertise:
 - Stay up to date on any changes to the ACA and related regulations.
 - Consult with benefits advisors or legal experts to ensure the plans meet all necessary standards and to help navigate complex requirements.
 - Use IRS resources, such as affordability safe harbor checklists and the Minimum Value Calculator, to confirm compliance.
- Establish internal processes:
 - Document clear policies and procedures and ensure they are regularly updated
 - Provide comprehensive training to relevant staff, such as HR and benefits administrators, on ACA compliance requirements.
 - Conduct regular internal audits to monitor compliance and identify any areas for improvement.



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INNOVATIVE RECOMMENDATIONS



Dani Kimlinger

Pairing an Employee Assistance Program (EAP) with an MEC plan can create a more comprehensive and supportive benefits offering.

“While MEC plans provide essential preventive care, they may leave gaps in mental health and catastrophic care coverage,” explains Dani Kimlinger, PhD, MHA, SPHR, SHRM-SCP, CEO, MINES and Associates, Inc. “A top-tier EAP can support these and deliver meaningful value to employees and

employers alike. By integrating a high-quality EAP, employees gain access to virtual and in-person therapy sessions at no copay within the EAP’s session model, ensuring timely and affordable mental health support.”

She advises that when major medical events occur, such as surgeries not covered under MEC, the EAP work-life services can assist employees in finding financial resources, sliding-scale care, and community programs to reduce out-of-pocket costs. Additionally,

EAP coaching services, including wellness coaching, can help employees optimize the preventive benefits offered by MEC, improving overall health outcomes and engagement.

“EAP reporting also provides valuable data on how employee needs are addressed, such as whether the presenting issue was resolved within the EAP, referred to the health plan or MEC for further care, or directed to community resources,” continues Kimlinger. “These insights help employers understand the impact of MEC and other health plans, identify gaps and make data-driven decisions about benefit design.”

She says that pairing MEC with EAP creates a layered benefits model that enhances employee well-being beyond basic preventive care and addresses social determinants of health by offering financial guidance, mental health support, and coaching.

“This combination provides measurable outcomes through EAP reporting, strengthening ROI and compliance strategies,” recommends Kimlinger.

MINIMUM VALUE DISTINCTION

MEC is different from MV coverage. It is a separate ACA standard requiring a plan to cover at least 60% of average medical costs and provide substantial coverage for physician and inpatient hospital services. An MEC Plan is NOT Major Medical Coverage and does NOT qualify

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as an MV plan as defined by the ACA.

A business can offer an MEC plan that does not meet the MV standard, but this may expose them to a different penalty ("Part B") if an employee gets a subsidized plan through the Health Insurance Marketplace. An MVP must meet both the coverage and affordability test.

The Department of Health and Human Services (HHS) has developed a tool, the Minimum Value Calculator, which helps employers to determine if their health plan provides the "minimum value" required by the ACA. Employers input information about their plan's benefits and cost-sharing features (like deductibles, copayments, and coinsurance) to get an estimate of the plan's value, which will determine if their health plans meet this standard.

Here's how the IRS explains it:

Under the ACA employer shared responsibility provisions, ALEs must either offer MEC that is "affordable," and that provides "minimum value" to their full-time employees and their dependents or potentially make an employer shared responsibility payment to the IRS. The employer shared responsibility provisions are sometimes referred to as "the employer mandate" or "the pay or play provisions."

Even if an ALE member offers MEC to at least 95 percent of its full-time employees (and their dependents), it may owe the

second type ("Part B") of employer shared responsibility payment for each full-time employee who receives the premium tax credit (PTC) for purchasing coverage through the Health Insurance Marketplace also known as the Exchange, which was established by the ACA.

ELIGIBILITY AND PREMIUM TAX CREDITS

If no plan meets the MV and affordability standards, a person may qualify for PTC in the marketplace. The IRS defines the PTC as a refundable tax credit designed to help eligible low- and moderate-income individuals and families afford health insurance purchased through the Marketplace or Exchange. If an employer plan does not meet MV, but an individual enrolls in it anyway, that plan will be considered MEC, and the individual will not be eligible for PTC. The Summary of Benefits and Coverage for a plan must disclose if the coverage is MV.

Beyond the Basics, a project of Washington, DC-based Center on Budget and Policy Priorities, funded by the Robert Wood Johnson Foundation, advises that an individual must not be eligible for MEC to be eligible for PTCs in the marketplace, although there are a few exceptions.

The organization provides training and resources on eligibility guidelines and the enrollment process for health coverage available in the marketplace. It is aimed at navigators, advocates, state and local officials and others who help consumers get and keep their health coverage. They counsel that being eligible for MEC means the insurance is available to the individual, even if they don't enroll in it. Therefore, people who are eligible for MEC will generally not qualify for PTC.

They caution that MEC should not be confused with MV, a measure of a plan's comprehensiveness. A person is not barred from PTC due to an employer's offer of coverage unless the employer offers at least one plan that meets both the affordability and MV standards. An employer-sponsored plan must have an MV of at least 60 percent, meaning that it covers inpatient and physician services and pays at least 60 percent of total medical costs for a standard population to meet the MV standard.

POTENTIAL EXPIRATION OF PREMIUM TAX CREDITS

At the time of this writing, it was uncertain whether the enhanced premium tax credits (PTCs) -- better known as enhanced subsidies-- under the Affordable Care Act (ACA) would expire or renew at some level at the end of December 2025.

The battle is entering a new phase of discord between the political parties, with many analysts predicting that without an extension, premiums will more than double on average for roughly 20 million Americans on the ACA marketplaces. The Federation of American Hospitals laments that the expiration of enhanced subsidies will also strain hospitals and increase uncompensated care.

While the expiration of enhanced subsidies does not directly affect employer-sponsored group health plans, NFP, an AON company, cites important downstream consequences for employers subject to ACA compliance.

- **Increased Costs for Employees:** Employees who currently receive enhanced PTCs through the Health Insurance Marketplace will see significant increases in their premiums starting in 2026. This is because the federal government will no longer cover as much of the cost, or in some cases, the individual will lose eligibility for any help at all.
- **Potential Increase in Employer Plan Enrollment:** As Marketplace coverage becomes more expensive, more individuals may seek coverage through their employer's plan, including employees who previously opted for Marketplace coverage or those who experience a qualifying event like a COBRA election.
- **Increased ACA Compliance Scrutiny:** When an employee receives a PTC, it often triggers an IRS letter to the employer to verify whether the employer offered affordable, minimum value coverage. An increase in employees seeking employer coverage or simply navigating the complexities of the new marketplace environment could indirectly lead to more scrutiny of an employer's compliance with the ACA's Employer Mandate.
- **Affordability Concerns:** The potential for higher costs for employees highlights the ongoing need for large employers to ensure their offered coverage meets the ACA's affordability thresholds, which are adjusted annually by the IRS. For 2025 plan years, the affordability percentage is 9.02% of an employee's household income.

MEASURING VALUE

Judging value also depends upon the employee demographics and needs. Dr. Kimlinger weighs in, "Some of the factors to consider include social determinants of health and the employee population. For instance, employees who are younger, with lower income, may lack the ability to access preventative care, but with MEC, they have access to this, and hopefully, they do not require hospitalization.

She says that those with chronic conditions may require higher medical needs and hospitalization, and therefore, may not find as much value.

"Other considerations include whether employees have higher or lower levels of healthcare literacy," she continues. "Lower levels of healthcare literacy may lead to undervaluing the preventative care, as it is not paired with education. Telehealth can be a positive factor for employees in rural areas, with unstable housing and transportation."



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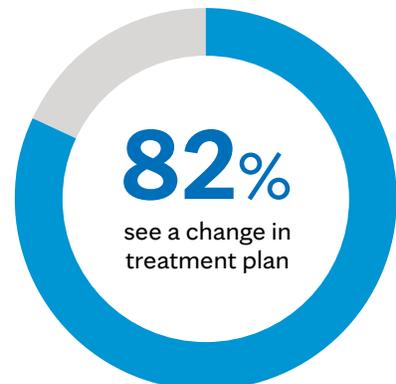
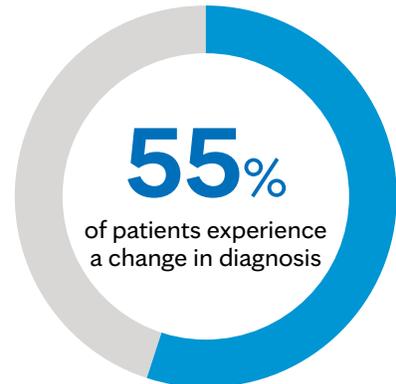
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FINAL WORD ON THE MEC OPTION

Offering a health plan that qualifies as MEC is one of the easiest ways for businesses to meet federal requirements, avoid penalties and provide employees with a safety net. MEC plans are an attractive cost management tool, providing a more affordable way to offer health benefits compared to comprehensive insurance plans.



David Konrad

This makes MEC plans a practical solution for businesses with limited budgets or those with variable workforces, like part-time or seasonal employees. They are also flexible, since MEC plans can be used strategically, allowing employers to offer them as a foundational benefit and then layer on other "voluntary" benefits, like dental or vision. Employees then have the opportunity to choose more comprehensive coverage if they wish.

David Konrad, VP Underwriting, Coverys, attests, "An MEC plan, which replaced the mini-med product offered pre-ACA, is very valuable to employees since it provides health coverage. For a part-time employee or an independent contractor to have some healthcare coverage that is affordable and keeps them engaged with their PCs is important for long-term health."



Speaking of the self-funded version, he says that the MEC option **ABSOLUTELY** saves money for the employer.

"Most employer-sponsored self-funded health plans are offering MEC or MEC PLUS to their members and are saving a tremendous amount of money compared to the fully insured MEC programs," Konrad explains. "As a self-funded option, almost all of the deductions/premiums are a variable cost, so the employer only pays up when the cost is incurred. MEC PLUS plans run at < 50% loss ratio, while during the last SIIA meeting I attended, FI and Major Medical SF plans were all > 85% loss ratio."

He describes the role of the TPA in offering the MEC as keeping administrative costs low and offering a competitive PEPM to adjudicate.

"The role of the broker is also crucial in explaining to the plan members the coverage limits, features, advantages and efficient utilization," concludes Konrad. "A broker needs to illustrate the savings potential to the self-funded plan's CFO compared to an FI option or not offering coverage, with the potential for incurring penalties,"

Archer also confirms the role of the broker and TPA in MEC plans, suggesting, "It is the same as it is in a more traditional major medical plan – the setting up, communicating, pricing, administering and servicing of the plan."



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But the limitations of MEC may not make it ideal for all businesses. Industry observers regard them as best suited for businesses with a young, healthy workforce and those primarily seeking ACA compliance at a minimal cost. For businesses with diverse employee demographics and varying healthcare needs, more comprehensive plans could be a better fit.

When it comes to making a decision about the MEC option, experts concede that careful evaluation of workforce needs is crucial.

Ultimately, the decision should align with a company's goals,



Steve Suter

financial capacity and commitment to employee well-being. It is prudent to consider consulting with an insurance expert or benefits consultant who can provide guidance tailored to specific circumstances.

"In today's labor market, benefits are a direct reflection of a company's values," emphasizes Steve Suter, president and COO, MacroHealth. "Using an MEC as core coverage sends the wrong message and often leaves employees with significant financial exposure, driving

absenteeism, turnover, and higher long-term costs. MECs simply don't meet the needs of employees with families, chronic conditions, or moderate healthcare usage.

He maintains that they do have a narrow role: serving as a short-term, compliance-focused bridge for employers navigating financial pressure, seasonal labor models, or predominantly young, healthy workforces.

"Beyond that, MECs become costly, risky and damaging to an organization's brand and retention," concludes Suter. ■

Laura Carabello holds a degree in Journalism from the Newhouse School of Communications at Syracuse University, is a recognized expert in medical travel and is a widely published writer on healthcare issues. She is a Principal at CPR Strategic Marketing Communications. www.cpronline.com.



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