

Medical Expenses Reimbursement Account (MERA)

Tax Advantage and Effect on Other Benefits

You can establish a MERA by authorizing a reduction in your salary up to \$7,200 a year. This amount then is used to pay eligible medical and dental expenses. Because money goes into a MERA before income or Social Security taxes are withheld, you save money by paying fewer taxes. Depending on where a participant lives, this money may be exempt from state and local taxes as well. The MERA plan is administered by Wesleyan. Participation in a MERA does not affect other benefits that are based on salary. These other benefits will continue to be calculated on salary before deductions are made.

Eligible Medical and Dental Expenses

Any medical and dental expenses the Internal Revenue Service considers tax deductible are eligible for reimbursement from a MERA if the participant pays them and does not deduct them on a tax return and if they are not reimbursable under an insurance plan. Even if a family member is not covered by a Wesleyan medical or dental plan, his or her medical and dental expenses are eligible for reimbursement if they meet the above conditions. Examples of eligible expenses are:

- Deductibles and coinsurance not paid by a medical or dental plan;
- Vision care, including exams, prescription eyeglasses, and contact lenses;
- Hearing examinations and hearing aids;
- Weight-loss programs prescribed by a doctor for a specific ailment;
- Installation and operation of a non-permanent air conditioner to relieve an allergy or heart condition, if prescribed by a doctor;
- Vitamins and dietary supplements prescribed by a doctor;
- Some over the counter medications outlined by the IRS;
- Smoking cessation programs and related prescription drugs; and
- Other medical expenses that qualify as federal income tax deductions.

To obtain a full list of IRS eligible expenses please go to:

<http://www.irs.gov/publications/p502/index.html>

Any determination of whether a claimed expense is eligible for reimbursement is subject to IRS review. IRS determinations govern the plan.

Establishing or Changing a MERA

If you are eligible to participate in Wesleyan medical and dental plans, you may open a MERA either during your first 30 days of employment or during open enrollment. MERA's require annual enrollment. You must enroll annually during open enrollment, either to continue the same deduction or to increase or decrease it. IRS regulations prohibit MERA changes at other times except during the 30 days following a change in

your family status, e.g. by marriage, divorce, death of a family member, birth or adoption of a child, termination or commencement of spouse's employment, or significant change in spouse's medical insurance coverage.

Deciding How Much to Contribute to a Reimbursement Account

You may choose to put any amount between \$120 and \$7,200 a year in a MERA. The amount should be based on an estimate of eligible expenses likely to be incurred during the year. One-twelfth of this amount will be deducted from your pay each month.

Example of How a MERA Works

The example below shows how the plan would work for someone earning \$50,000 a year who set aside \$2,400 a year and used \$2,400 for eligible expenses.

	With MERA Account	Without MERA Account
Annual Base Salary	\$50,000	\$50,000
Minus MERA Amount	\$2,400	\$0
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Sub-total Taxable Income	47,600	50,000
Minus Estimated Federal Income Tax	13,328	14,000
Minus Social Security Tax	3,641	3,825
Minus Health Care Expenses	0	2,400
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Net Pay	\$30,631	\$29,775
Tax Savings	\$856	

Unused Account Amounts

IRS regulations for MERA include a "use-it-or-lose-it" provision. Any MERA funds not used to cover eligible expenses incurred during the plan year are forfeited. You can reduce your risk of loss by careful planning and by limiting your MERA contributions to predictable medical and dental expenses.

Applying for Reimbursement

You will be reimbursed for eligible expenses incurred through March 15 following the policy year provided reimbursement claims are submitted by April 15. Submit reimbursement claim forms, together with receipts, to Human Resources. Claims can be submitted only for cumulative amounts of \$50 or more, except for your last submission of the plan year, when no \$50 minimum applies. Claim forms are available in Human

Resources or can be printed out in Word format from the HR Forms site at <http://www.wesleyan.edu/hr/forms.html>.