

Agent Instruction Sheet for **Priority**HRA Plan Document

Thank you for choosing **Priority**HRA! Here are some instructions as to what to do with each **Priority**HRA document.

Required Documents:

HRA Application – contains all of the information needed to set the group up with **Priority**HRA in our system. The form can be found in the Agent Center at *priorityhealth.com*. It should be filled out by the employer group with the assistance of the agent. The completed document is to be returned to the Priority Health Managed Benefits, Inc. sales representative.

Plan Document & Summary Plan Description (PD/SPD) – the official plan document outlining the **Priority**HRA. It can be found on our Agent Center at *priorityhealth.com*. This document, once completed, should be passed out to each employee on the HRA product. The employer should also keep a copy for their files. The portions that need to be filled out are the **General Plan Information** and the **HRA Reimbursement Schedule** (the last two sections of the document). Note: **External Review** (Section 10-E) of the PD/SPD, only applies to a Non-Grandfathered Plan.

General Plan Information – the group specific portion of the PD/SPD. This section is to be filled out by the employer.

HRA Reimbursement Schedule -- the document that outlines how the HRA is to be set up, and how much it will pay out to each employee. This must be filled out and sent in to the Priority Health Managed Benefits, Inc. sales representative along with the HRA Application.

HIPAA Business Associate Agreement – the HIPAA agreement between Priority Health Managed Benefits, Inc. and The HRA Health Plan. The completed agreement is to be returned to the Priority Health Managed Benefits, Inc. sales representative.

Administrative Services Agreement – the legal agreement that outlines the administrative services Priority Health Managed Benefits, Inc. agrees to provide in respect to the HRA Plan. The completed agreement is to be returned to the Priority Health Managed Benefits, Inc. sales representative.

Steps:

1. Agent downloads the **HRA Application** from the Agent Center and assists the employer group in completing the form.

2. Agent downloads the **HIPAA Business Associate Agreement** from the Agent Center and assists the employer group in completing the form.
3. Agent downloads the **Administrative Services Agreement** from the Agent Center and assists the employer group in completing the form.
4. Agent downloads the **PD/SPD** from the Agent Center and assists the employer group in filling out the **General Plan Information** and **HRA Reimbursement Schedule** in the back of the PD/SPD. Remember, a new **HRA Reimbursement Schedule** will need to be completed for every HRA plan design (applicable for employers with multiple options).
5. Agent/Employer group submits the completed **HRA Application** (including additional materials as requested in the HRA Application), the signed **HIPAA Business Associate Agreement**, the signed **Administrative Services Agreement** and the HRA Reimbursement Schedule/signature portion of the **PD/SPD** to the Priority Health Managed Benefits, Inc. Sales Representative.
6. Agent should recommend that employer has **PD/SPD** reviewed by legal counsel
7. Once the HRA is finalized, the employer group should keep a copy of all completed materials including the full **PD/SPD** for their records. The employer group is to distribute the completed copy of the **PD/SPD** to all employees who participate in the HRA plan.



HEALTH REIMBURSEMENT ARRANGEMENT (HRA) PLAN

PLAN DOCUMENT & SUMMARY PLAN DESCRIPTION

Priority Health Managed Benefits, Inc.
1231 East Beltline, NE
Grand Rapids, Michigan 49525-1954

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HEALTH REIMBURSEMENT ARRANGEMENT (HRA) PLAN

SECTION 1. Plan Operation

Your Employer hereby establishes this Health Reimbursement Arrangement ("**HRA**"). This HRA is integrated with and is part of your Employer's health plan. Your Employer's health plan consists of the health plan benefits described in your Priority Health Certificate of Coverage and the benefits described in this plan document. Your HRA helps you pay for those out-of-pocket medical expenses listed on the attached HRA Reimbursement Schedule ("**Eligible Medical Expenses**") that are incurred by you, your enrolled spouse and your enrolled dependents.

SECTION 2. Definitions and Cross-References

All capitalized terms in this document have the meaning set forth in the Definitions Section of your Priority Health Certificate of Coverage, unless otherwise defined in this plan document. You should also reference your Certificate of Coverage when its terms and conditions are cross-referenced in this plan document.

SECTION 3. Eligibility and Plan Entry

To be a participant in the HRA ("**Participant**"), you must be an employee enrolled in your Employer's health plan option that relates to this HRA ("**Employer's Health Plan**"). The following individuals are not considered employees and, therefore, are not eligible to participate in the HRA: self-employed individuals, partners in a partnership, and more-than-2% shareholders in a Subchapter S corporation.

You will be automatically enrolled in the HRA on the date you enroll in your Employer's Health Plan that relates to this HRA.

SECTION 4. Establishment of HRA Account

When you become a Participant in the HRA, an HRA account will be established in your name. Your Employer will credit your HRA account at the beginning of each plan year with the amount set forth in the attached HRA Reimbursement Schedule ("**HRA Credit**"). Your HRA account is a recordkeeping account that tracks your available HRA Credits. There is no separate fund or trust from which benefits are paid, and benefits under the HRA are not insured. They are paid from the general assets of your Employer. Your Employer may increase or decrease the annual HRA Credit amount from time to time and will notify you of any such changes. Contact your Employer with any questions you have regarding the HRA Credit amount.

SECTION 5. Benefits

You may use your HRA Credit to pay for or reimburse Eligible Medical Expenses incurred by you, and your spouse and dependents who are enrolled in the Employer's Health Plan up to the

available unused balance in your HRA account. The amount of your annual HRA Credit and the rules for use of available credit are described in the attached HRA Reimbursement Schedule.

SECTION 6. Eligible Medical Expenses

“Eligible Medical Expenses” are expenses incurred for services that are Covered Services but not paid for by your Employer’s Health Plan for example, because of deductible or co-insurance requirements under the health plan. See your Priority Health Certificate of Coverage for a description of Covered Services. Eligible Medical Expenses do not include any expenses incurred prior to the date you became a Participant in the HRA or after the date you cease to be a Participant.

HRA Credits may be used only to pay Eligible Medical Expenses for which claims are received by the Claims Administrator no later than one year from the date the expense was incurred. Expenses are incurred when a service is provided, not when it is billed or paid.

SECTION 7. Employer Contributions Only

Benefits from the HRA are paid by your Employer from its general assets; employee contributions are not required nor permitted. Under no circumstances will pre-tax salary reduction contributions be permitted nor will the HRA be funded, directly or indirectly, under a cafeteria plan. You cannot receive your HRA account balance in the form of cash or any other benefit. It may be used only to pay or reimburse Eligible Medical Expenses.

SECTION 8. Coordination of Benefits

The HRA may only pay Eligible Medical Expenses not previously reimbursed or for which you will not seek reimbursement from any other accident or health plan, cafeteria plan, or health insurance. If an Eligible Medical Expense is payable or reimbursable from another source, that other source must pay or reimburse prior to payment or reimbursement from the HRA. If only a portion of an Eligible Medical Expense is reimbursable by another health plan (e.g., because of copayment or deductible requirements), the HRA can reimburse the remaining portion of the expense if it otherwise meets the requirements of the HRA. However, if Eligible Medical Expenses are covered by both HRA and by a health flexible spending account (health FSA), the HRA will pay first, exhausting all available HRA Credits, before the health FSA may provide reimbursement.

SECTION 9. Claims Payment Procedure

“Priority Health Managed Benefits, Inc.” is the Benefit Administrator for your HRA and will automatically pay any Eligible Medical Expenses directly to your medical provider from your HRA account. You will not be required to submit any claim forms to trigger payment. An exception would be if you are covered by more than one health insurance policy or health plan. In such a case, you may be required to submit a claim form to Priority Health Managed Benefits, Inc. that requests reimbursement from your HRA after benefits have been coordinated with your other

insurance carriers and it has been determined whether you have any outstanding unpaid Eligible Medical Expenses.

A. Claims Decision

All claims from medical providers must be submitted within one year after the expense is incurred. Requests will be approved or denied within 30 days. If matters beyond the HRA's control require more than 30 days, the Benefit Administrator will notify you in writing of the need for an extension and will have an additional 15 days to complete its review. If the Benefit Administrator needs additional information in order to decide your claim, you will be notified and the Benefit Administrator will give you a reasonable amount of time (but not less than 45 days) to provide the specified information. The Benefit Administrator will notify you if your claim has been denied no later than 30 days after receipt of your initial claim, not including days that were necessary to receive additional information, unless you agree to further extend the decision-making period.

If a mistake is made, if you engage in fraud or misrepresentation, or if you fail to provide material information, you must repay any amount that should not have been reimbursed by the HRA.

B. Adverse Benefit Determinations

If the Benefit Administrator or Plan Administrator denies your claim for benefits ("Adverse Benefit Determination"), the Benefit Administrator or Plan Administrator will notify you in writing or electronically (for example, by e-mail). Any Adverse Benefit Determination, including any denial, reduction, or termination, in whole or in part, of the benefit for which you filed a claim, is a claim denial. This includes any determination based on the eligibility of the person on whose behalf the expense was incurred or whether the expense itself is eligible for reimbursement. A notice of adverse determination on appeal will be provided in a culturally and linguistically appropriate manner and will:

- Provide information to help you identify the claim;
- Inform you of the specific reasons for the adverse determination and include any denial code and its corresponding meaning;
- Provide you with a description of the HRA's standard, if any, used in denying the claim;
- Inform you of the specific HRA provisions on which the determination was based;
- Provide an explanation of the HRA's internal and external appeal procedures, including applicable time limits;
- Contain a description of any additional information necessary to perfect the claim and an explanation of why this information is necessary;
- Contain a statement that you are entitled to receive, upon request and without charge, reasonable access to and copies of all documents, records and other relevant information;
- Include statement of your right to bring a civil action under ERISA if your claim has been denied after you have asked for and received a review of the initial denial;

- Reference any internal rule, standard, guideline, protocol, or other similar criterion (“internal criteria”) that was relied upon in making an Adverse Benefit Determination, if applicable to your appeal and include a statement that a copy of the rule, standard, guideline, or protocol may be obtained upon request at no charge;
- Include a statement that you are entitled to receive, upon request and without charge, an explanation of the scientific or clinical judgment for the determination, applying the terms of the plan to your medical circumstances, if applicable to your appeal; and
- Provide contact information for an office of health insurance consumer assistance or a health insurance ombudsman program, if such a service has been established in your state.

If you are not satisfied with a benefit determination, you may appeal in accordance with the following Section.

SECTION 10. Inquiries and Appeals

A. Informal Inquiries

If you have any questions or concerns regarding your HRA coverage or benefits you may contact your Employer or the Priority Health Customer Service Department at **888-389-6646**. The Benefit Administrator recognizes that not all of your questions or concerns involve benefit denials. The Customer Service Department will make every effort to resolve your inquiry at the time of your call, or as soon as reasonably possible, and may require additional information to resolve your inquiry.

If you have an inquiry, complaint or problem that the Customer Service Department cannot resolve informally or you are unhappy with the resolution, you may choose to go immediately to the appeal process (detailed below) if your inquiry is related to a denial of benefits.

B. Appeal Procedure

If you receive a denial of benefits (“adverse benefit determination”) you may appeal the decision. You may also appeal the Plan Administrator’s decision regarding your eligibility to participate in the plan or the Plan Administrator’s rescission (retroactive termination) of your coverage. The appeal will be conducted by the Benefit Administrator. Your appeal request must be in writing and submitted to the Benefit Administrator within 180 days after you receive your initial adverse benefit determination.

Written request for an appeal should be submitted to:

Priority Health Managed Benefits, Inc.
 Attention: Appeal Coordinator
 1231 East Beltline NE,
 MS 1145 Grand Rapids, MI 49525-4501
 Fax: 616 975-8894

The request may be sent by facsimile or by first-class mail.

In the case of a denied urgent care claim, you may request the Benefit Administrator to conduct an expedited review on appeal. You may submit your request either orally or in writing. All necessary information, including the Benefit Administrator's decision on appeal, may be transmitted between you (or your authorized representative) and the Benefit Administrator by phone, facsimile, or other available similarly expeditious method.

You may submit written comments, documents, records, and other information relating to your claim. These should be submitted to the Benefit Administrator. You may request access to and copies of all documents, records, and other information relevant to the claim, at no cost to you. You may also request the identity of any medical or vocational experts whose advice was obtained in connection with your adverse benefit determination.

The Benefit Administrator will take into account all comments, documents, records, evidence, testimony and other information you submit relating to your appeal, whether or not that information was submitted or considered in any previous benefit determinations. The Benefit Administrator will not rely on any decision made in a previous adverse benefit determination, but will review the full record of the claim and make an independent determination. The individuals conducting appeals will not be the individuals who made any prior adverse determinations on your claim nor subordinates of those individuals.

If your appeal is based in whole or in part on medical judgment, including whether a particular treatment, drug, or other item is experimental, investigational or not medically necessary or appropriate, the Benefit Administrator will consult with a health professional. The health professional will have the appropriate training and experience in the field of medicine involved in the medical judgment. Any health professional engaged for these purposes will not be the individual consulted for any prior adverse benefit determinations on your claim, nor subordinates of those individuals.

C. Appeal Notification

The Benefit Administrator will notify you of its decision on appeal (whether adverse or not) within a reasonable period of time, but not later than 30 days after it receives your appeal request, unless you agree to further extend the decision-making period.

The Benefit Administrator's decision will be final and binding.

D. Adverse Benefit Determination on Appeal

If a decision on appeal is adverse, or if your coverage is rescinded or terminated for cause, the Benefit Administrator or Plan Administrator will notify you in writing or electronically (for example, by e-mail). Any Adverse Benefit Determination, including any denial, reduction, or termination, in whole or in part, of the benefit for which you filed a claim, is a claim denial. This

includes any determination based on the eligibility of the person on whose behalf the expense was incurred or whether the expense itself is eligible for reimbursement. A notice of adverse benefit determination on appeal will be provided in a culturally and linguistically appropriate manner and will:

- Provide information to help you identify the claim;
- Inform you of the specific reasons for the adverse determination and include any denial code and its corresponding meaning;
- Provide you with a description of the HRA's standard, if any, used in denying the claim;
- Inform you of the specific HRA provisions on which the determination was based;
- Provide an explanation of the HRA's internal and external appeal procedures, including applicable time limits;
- Contain a description of any additional information necessary to perfect the claim and an explanation of why this information is necessary;
- Contain a statement that you are entitled to receive, upon request and without charge, reasonable access to and copies of all documents, records and other relevant information;
- Include statement of your right to bring a civil action under ERISA if your claim has been denied after you have asked for and received a review of the initial denial;
- Reference any internal rule, standard, guideline, protocol, or other similar criterion ("internal criteria") that was relied upon in making an Adverse Benefit Determination, if applicable to your appeal and include a statement that a copy of the rule, standard, guideline, or protocol may be obtained upon request at no charge;
- Include a statement that you are entitled to receive, upon request and without charge, an explanation of the scientific or clinical judgment for the determination, applying the terms of the plan to your medical circumstances, if applicable to your appeal; and
- Provide contact information for an office of health insurance consumer assistance or a health insurance ombudsman program, if such a service has been established in your state.

Before the plan can issue an adverse benefit determination on review based on a new or additional reason or "rationale", you will be provided, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date the plan must provide notice of its decision upon appeal in order to provide you with a reasonable opportunity to respond prior to that date.

The Benefit Administrator's decision as set forth in the Notice of Final Internal Adverse Benefit Determination will be considered final and binding on all parties, unless you voluntarily submit your claim to external review, as described below.

Attention: The following External Review applies only to Non-Grandfathered Groups. External Review is not applicable to Grandfathered Groups.

E. External Review

Once you have exhausted the internal appeals procedures described above, you or your authorized representative have the right to request an external review from an Independent Reviewing Organization (“IRO”). The Adverse Determination on Appeal will contain an explanation on how to submit information to the IRO. The external review procedure is voluntary and you are not required to use this external review procedure in order to have your claim determined by a court.

Generally, you will have the right to seek an external appeal unless your claim was denied because you are not eligible to participate in the HRA. You will have up to four months to file an external appeal.

If your claim concerns an admission, availability of care, continued stay, or health care item or service for which you have received emergency services, and you have not been discharged from the facility, you may request an expedited review.

If your claim involves experimental or investigational treatments, the IRO will ensure that adequate clinical and scientific experience and protocols are taken into account as part of the external review process.

You will have an opportunity to provide additional materials to the IRO regarding the claim once the external review is initiated. You will receive instructions directly from the IRO on how to supply additional information.

The IRO will not be bound by any decisions or conclusions reached during the HRA’s internal claims and appeals process. After reviewing all of the information available to you and the HRA, the IRO will recommend whether the HRA should uphold or reverse the final determination of the claim.

The IRO’s decision is binding on the HRA and you, except to the extent that other remedies are available under state or federal law.

For more information about rights to an external review, you can contact the Employee Benefits Security Administration at 866 444-EBSA (3272).

F. Legal

All decisions of the Plan Administrator will be final and binding. If your claim is denied in whole or in part, you will have the right to file a civil action in court, but you will not be able to do so unless you have completed the appeal procedures stated above (except any voluntary procedures). If you do not follow and complete these procedures, an appeal of your claim in court will be subject to dismissal for your failure to exhaust your claim and appeal rights under the HRA. This requirement that you exhaust the plan’s claim filing and appeal procedures applies not only to claims for benefits, but also to claims that the Plan Administrator, a plan fiduciary, or your Employer has violated ERISA or the Code, and to decisions rescinding

coverage. If you wish to file your claim in court, you must do so within one year of the date on which you receive the notice of Adverse Benefit Determination. This one year limitation requirement applies to claims for benefits, claims alleging statutory violations of ERISA or the Code, or claims that both seek benefits and allege statutory violations.

SECTION 11. Leaves of Absence

If you take a leave of absence under the Family and Medical Leave Act (FMLA) or any other Employer-approved leave of absence, your participation in the HRA will continue during the leave period to the extent coverage under your Employer's Health Plan that relates to this HRA continues.

If you take a leave of absence for military service, USERRA allows you to continue to participate in the Employer's Health Plan, including this HRA and receive Employer contributions for up to 24 months after your military leave begins, or for the period of your military leave, whichever is shorter. You are required to pay a premium (102% of the premium amount for the HRA Credit or such other amount as is required by law) for this continuation coverage if your military leave is 31 days or longer. If you elect continuation coverage, your Employer will credit your HRA account while you are on military leave on the same basis as for actively-employed HRA participants. If you do not elect continuation coverage or your continuation coverage terminates while you are on military leave, your coverage under the HRA will resume when your coverage under your Employer's Health Plan that relates to this HRA resumes on your first day of active employment following your military leave.

SECTION 12. Termination of Participation

Generally, your participation in the HRA will end on the date your participation in the health plan that accompanies this HRA terminates, whether through plan election change, termination of employment or otherwise. Your HRA will continue to pay Eligible Medical Expenses incurred before your participation terminated and received within one year from the date in which the medical expense was incurred. Expenses incurred after your participation in the HRA terminates will not be reimbursed unless COBRA is elected as provided in Section 13 (COBRA Continuation Coverage).

If you die while a Participant in the HRA, your spouse and dependents may obtain reimbursement of Eligible Medical Expenses they incurred prior to your death from your remaining HRA account balance, provided claims are submitted within the one year period described above. If you do not have a surviving spouse or dependents, your HRA account balance (not used for your pre-death Eligible Medical Expenses) will be forfeited upon your death.

SECTION 13. COBRA Continuation Coverage

During any year following a calendar year in which your Employer had 20 or more employees, federal law (COBRA) requires your Employer to provide you with the right to continue coverage

under the HRA, after the occurrence of certain events (qualifying events) that would otherwise end your HRA coverage. Individuals entitled to COBRA continuation coverage are referred to as “qualified beneficiaries.” Each qualified beneficiary has an independent right to elect COBRA coverage under the HRA.

You will be required to pay a premium (102% of the premium amount for the Employer HRA Credit or such other amount required by law) for this continuation coverage. If you elect COBRA continuation coverage, you will maintain your HRA account during the continuation period and your Employer will contribute the HRA Credit to your account on the same basis as for similarly situated HRA Participants who have not experienced a qualifying event. See the Continuation of Coverage section of your Certificate of Coverage, which is incorporated herein by reference, for details regarding COBRA continuation coverage.

If more than one qualified beneficiary in a family elects COBRA or a qualified beneficiary elects COBRA while others in the family remain covered by the HRA, the HRA account balance will be partitioned on a prorata basis, unless the parties agree otherwise or as otherwise required by law, and any future HRA Credits will be allocated among the covered family members on the same prorata basis.

If your employment is terminated (for reasons other than gross misconduct) or your hours are reduced so that you no longer meet the HRA’s eligibility requirements, you may elect to continue coverage for up to 18 months from the date the qualifying event occurred. Your spouse and/or dependents may elect to continue HRA coverage for up to 36 months if (i) you die, (ii) you become divorced or legally separated, (iii) you become eligible for Medicare benefits, or (iv) your children cease to be dependents.

Except in the case of your death or the termination or reduction in your hours of employment, in order to elect COBRA continuation coverage you (or your spouse or dependents) must notify the Plan Administrator in writing within 60 days of an event described in (ii) or (iv) above. The Plan Administrator will provide you (and your spouse and/or dependents) with written notification of your right to COBRA continuation coverage. You (or your spouse and/or dependents) have 60 days to return a signed election to the Plan Administrator indicating the choice to continue coverage.

COBRA continuation coverage will automatically end if (i) your COBRA premium is not paid on a timely basis, (ii) after your COBRA election you (or your spouse and/or dependents) become covered by another group health plan that does not contain a limitation or exclusion with respect to any pre-existing condition you or they may have, (iii) your Employer terminates all health coverage for all employees, or (iv) you (or your spouse and/or dependents) become entitled to Medicare after your COBRA election. For further information on COBRA continuation coverage, consult the Plan Administrator or the COBRA notice provided to you by your Employer (if applicable).

SECTION 14. HIPAA Privacy and Security Provisions

This section is intended to comply with the Health Insurance Portability and Accountability Act (HIPAA) privacy rules found at 45 CFR Parts 160 and 164 (Privacy Rules) and the HIPAA security rules found at 45 CFR Parts 160 and Subparts A and C of Part 164 (Security Rules). All definitions in the Privacy Rules and Security Rules are incorporated by reference and if a term is not defined in the Privacy Rules or Security Rules, the term will have its generally accepted meaning.

A. Protected Health Information (PHI)

Your Employer will have access to you and your enrolled dependents' protected health information (PHI) only as permitted in this section or as otherwise required or permitted by HIPAA. PHI means information created or received by the HRA that relates to:

- The past, present, and future physical or mental health or condition of an individual;
- The provision of health care to an individual; or
- The past, present, or future payment for the provision of health care to an individual;

and that identifies the individual or for which there is a reasonable basis to believe the information can be used to identify the individual.

B. Permitted Uses and Disclosures

The HRA may disclose PHI to your Employer only if the Privacy Rules specifically permit or require the use or disclosure, or if the individual in writing authorizes the HRA to use or disclose PHI to your Employer.

Once your Employer receives PHI from the HRA, it may use or disclose PHI only for plan administration functions. "Plan administration functions" are administrative tasks performed by your Employer on behalf of the HRA and not employment-related functions or functions performed by your Employer in connection with any other benefit or benefit plan of your Employer. Plan administration functions include, but are not limited to:

- Enrollment and disenrollment activities;
- Verification of participation in the HRA;
- Determining eligibility for benefits;
- Activities to coordinate benefits with other plans and coverages;
- Final adjudication of appeals of claim denials;
- Assisting participants in eligibility, benefit claims matters, inquiries, and appeals;
- Evaluation of health plan design;
- Legal services and auditing functions (including fraud and abuse detection);
- Business planning, management and general administration;
- Activities in connection with the transfer, merger or consolidation of the HRA, including due diligence.

C. Employer's Privacy Obligations

With respect to any PHI created by or received from the HRA, your Employer will:

- (a) not use or further disclose the PHI other than as permitted or required by this document or as required by law;
- (b) ensure that any agents, including subcontractors, to whom it provides PHI received from the HRA agree to the same restrictions and conditions that apply to your Employer with respect to the PHI;
- (c) not use or disclose PHI for employment-related actions and decisions or in connection with any other benefit or employee benefit plan of your Employer unless authorized by an individual;
- (d) report to the HRA any PHI use or disclosure of which it becomes aware that is inconsistent with the Privacy Rules;
- (e) make PHI available to an individual in accordance with the access requirements of the Privacy Rules;
- (f) make PHI available for amendment and incorporate any amendments to PHI in accordance with the Privacy Rules;
- (g) make available the information required to provide an accounting of disclosures;
- (h) make its internal practices, books and records relating to the use and disclosure of PHI received from the HRA available to the HHS Secretary to determine compliance with the Privacy Rules;
- (i) if feasible, return or destroy all PHI received from the HRA that your Employer still maintains in any form and retain no copies of such PHI when no longer needed for the purpose for which disclosure was made (or if return or destruction is not feasible, limit further uses and disclosures to those purposes that make the return or destruction infeasible);
- (j) ensure adequate separation between the HRA and your Employer as required by the Privacy Rules and that the requirements listed in the next section ("Adequate Separation Between Plan and Employer") are followed; and
- (k) With respect to electronic forms of PHI, your Employer must do the following in accordance with the applicable provisions of the Security Rules:
 - (i) reasonably and appropriately safeguard electronic PHI created, received, maintained or transmitted to or by the Plan (except for disclosures of summary health information or enrollment/disenrollment information permitted by the Privacy Rules or disclosures under a valid authorization), as required by the HIPAA Security Rules;
 - (ii) implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of electronic PHI created, received, maintained or transmitted on behalf of the Plan;
 - (iii) ensure that separation between electronic PHI used for health plan administration functions and records used for employment related actions and

- decisions or in connection with any other benefit or benefit plan is supported by reasonable and appropriate security measures;
- (iv) ensure that any agents, including subcontractors, with access to electronic PHI agree to implement reasonable and appropriate security measures to protect the electronic PHI; and
 - (v) report to the Plan any significant security incident involving electronic PHI of which it becomes aware.

(l) Timely notify you of any unauthorized Breach of your unsecured PHI.

D. Adequate Separation Between Plan and Employer

Adequate separation between the HRA and your Employer will be maintained. Only the employees or classes of employees identified in Employer's privacy policies and procedures ("authorized employees") will have access to PHI. The section of your Employer's privacy policies and procedures that lists these employees is incorporated by reference herein. The access to and use of PHI by these authorized employees is restricted to the plan administration functions that your Employer performs for the HRA.

If an authorized employee uses or discloses PHI in ways other than those permitted by the HRA or the Privacy Rules, he or she will be subject to the disciplinary procedures contained in your Employer's employee handbook or policy manual. Your Employer may impose, at its discretion, reasonable sanctions necessary to ensure that no further non-compliance with the HRA or the Privacy Rules occurs.

SECTION 15. Plan Administrator

The Plan Administrator is your Employer (unless shown otherwise under General Plan Information). The Plan Administrator is responsible for the administration of the HRA and has the discretionary authority to interpret and administer the HRA, to decide all questions of eligibility and benefit payments, to determine all issues of fact, to supply any omission and to interpret any ambiguous provision of the HRA. The Plan Administrator may delegate certain duties with respect to deciding claims to Priority Health Managed Benefits, Inc., as the Benefit Administrator, in accordance with the services agreement entered into by the parties. All other plan obligations remain the sole and exclusive duty of the Plan Administrator. The Plan Administrator has a duty to exercise this authority in a uniform and consistent manner.

SECTION 16. Nondiscrimination

The HRA will not discriminate in terms of eligibility or benefits in favor of highly compensated individuals. Reimbursement to highly compensated individuals may be limited or treated as taxable compensation to the extent necessary to comply with Code Section 105(h).

SECTION 17. Other Laws

Benefits from the HRA will be provided in compliance with ERISA, COBRA, HIPAA, FMLA, USERRA and other laws that apply to group health plans, to the extent required by such laws.

SECTION 18. Amendment and Termination

Although your Employer intends to continue this HRA indefinitely, it may amend or terminate the HRA at any time. You will be notified of such an action.

SECTION 19. No Guarantee of Tax Consequences

Although it is intended that amounts received under the HRA will not be subject to income tax, your Employer cannot guarantee that any amounts paid under the HRA will be excludable from your gross income for federal, state or local income tax purposes, or that any other federal, state or local tax treatment will apply to or be available to you.

SECTION 20. Participants' Rights

As a participant in this Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA).

A. Receive Information About Your Plan and Benefits

ERISA provides that all plan participants will be entitled to:

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the HRA, including insurance contracts, and a copy of the latest annual report (Form 5500 Series) filed by your Employer with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the HRA, including insurance contracts, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

B. Prudent Actions by Plan Fiduciaries

In addition to creating rights for HRA participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate this HRA, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

C. Enforce Your Rights

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of HRA documents or the latest annual report from the HRA and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the HRA's decision or lack thereof concerning the qualified status of medical child support order, you may file suit in Federal court. If it should happen that HRA fiduciaries misuse the HRA's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

D. Assistance with Your Questions

If you have any questions about your HRA benefits, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

GENERAL PLAN INFORMATION

Sponsoring Employer And Plan Administrator

Name _____

Address _____

Telephone Number _____

Employer Identification Number (EIN) _____

Related Employers _____

If there are other Related Employers adopting this Plan, each must complete Attachment A to this Adoption Agreement. A Related Employer must be a member of the same controlled group or affiliated service group (under IRS rules) as the Sponsoring Employer.

Plan Name

_____ Health Reimbursement Arrangement Plan

Effective Date

The Effective Date of this Plan is _____

Plan Year

The Plan Year is the 12-consecutive month period beginning each _____.

Agent For Service of Legal Process

Service of legal process may also be made on the Plan Administrator.

Plan Number

5____

Benefit Administrator

Priority Health Managed Benefits, Inc.
1231 East Beltline, NE
Grand Rapids, Michigan 49525-4501
616 956-1954 or 800 956-1954

[Employer Name _____]

HRA REIMBURSEMENT SCHEDULE

Effective for Plan Year Beginning _____, 2____

On the first day of each Plan Year, your Employer will provide to your HRA the annual HRA Credit Amount shown below. The Benefit Administrator will automatically deduct funds from your HRA to pay for your Eligible Medical Expenses. You may have further liability after all HRA Credits have been exhausted.

1. What Eligible Medical Expenses Will Your HRA Pay?

Medical Deductible Expenses Yes No

Medical Coinsurance Expenses Yes No

2. Annual HRA Credit

Single: \$ _____

Double and Family: \$ _____

3. What Are Your HRA Payment Rules? (See Boxes Checked Below – choose one of option A-D below)

A. HRA Pays First Dollar

Employee-Only Coverage

- Your HRA is available to pay the first \$ _____ of your Eligible Medical Expenses

Family Coverage - Employee-Plus-One or More (select one of the two options below)

No Embedded Limit

- Your HRA is available to pay the first \$ _____ of your family's Eligible Medical Expenses

Embedded Limit

- Your HRA is available to pay the first \$_____ of Eligible Medical Expenses for each covered individual (up to a maximum of \$_____ per family)

B. Employee Pays First Dollar

Employee-Only Coverage

- You must pay the first \$_____ of your Eligible Medical Expenses
- Your HRA is then available to pay the next \$_____ of your Eligible Medical Expenses

Family Coverage - Employee-Plus-One or More (select one of the three options below)

No Embedded Deductible

- You must pay the first \$_____ of your family's Eligible Medical Expenses
- Your HRA is then available to pay the next \$_____ of your family's Eligible Medical Expenses

Embedded Deductible

- You must pay the first \$_____ of Eligible Medical Expenses for each covered individual (up to a maximum of \$_____ per family)
- Your HRA is then available to pay the next \$_____ of your family's Eligible Medical Expenses

Embedded Deductible and HRA Limit

- You must pay the first \$_____ of Eligible Medical Expenses for each covered individual (up to maximum of \$_____ per family)
- Your HRA is then available to pay the next \$_____ for each covered individual (up to maximum of \$_____ per family)

C. HRA Pays Percentage

Employee-Only Coverage

- Your HRA is available to pay _____% of your Eligible Medical Expenses up to a maximum of \$_____

Family Coverage - Employee-Plus-One or More (select one of the two options below)

No Embedded Limit

- Your HRA is available to pay ____% of your family's Eligible Medical Expenses up to a maximum of \$_____

Embedded Limit

- Your HRA is available to pay ____% of your Eligible Medical Expenses up to a maximum of \$_____ for each covered individual (up to a maximum of \$_____ per family)

D. Employee Pays First Dollar, Then HRA Pays Percentage

Employee-Only Coverage

- You must pay the first \$_____ of your Eligible Medical Expenses
- Your HRA is then available to pay ____% of your Eligible Medical Expenses up to maximum of \$_____

Family Coverage - Employee-Plus-One or More (select one of the two options below)

No Embedded Deductible

- You must pay the first \$_____ of your family's Eligible Medical Expenses
- Your HRA is then available to pay ____% of your family's Eligible Medical Expenses up to maximum of \$_____

Embedded Deductible

- You must pay the first \$_____ of Eligible Medical Expenses for each covered individual (up to a maximum of \$_____ per family)
- Your HRA is then available to pay ____% of your family's Eligible Medical Expenses up to a maximum of \$_____

Embedded Deductible and HRA Limit

- You must pay the first \$_____ of Eligible Medical Expenses for each covered individual (up to maximum of \$_____ per family)
- Your HRA is then available to pay the next ____% up to a maximum of \$_____ for each covered individual (up to maximum of \$_____ per family)

4. Will your HRA pay for Out-of-Network services?

- Yes No

5. Can Unspent HRA Credits Be Rolled Over For Use In Future Plan Years?

- Yes No

If Yes, rollover will be on the following basis (select one of the three options below):

- Rollover of entire remaining HRA account balance.
- Rollover of remaining HRA account balance up to maximum of: \$_____
- Rollover of lesser of: (i) entire remaining HRA account balance or (ii) maximum annual rollover amount of \$_____ plus all prior years' unused rollover amounts. For example, assume your annual HRA Credit is \$500 and the maximum annual rollover amount is \$250. If you used no HRA Credits for the first 3 years, at the end of 3 years you may roll over \$750 (\$250 rolled over for each of the first 2 years plus \$250 for current year). This would be less than your remaining HRA account balance of \$1,000 (\$250 (year 1 rollover) + \$250 (year 2 rollover) + \$500 (unspent year 3 HRA Credit)).

Note that Priority Health Managed Benefits, Inc. will automatically pay any Eligible Medical Expenses from the HRA rollover credit first before paying from current HRA Credits.

Health Reimbursement Plan Adoption:

I accept and agree to the following:

- The Health Reimbursement Arrangement (HRA) Plan is hereby executed and adopted as outlined in this HRA Plan Document and Summary Plan Description (PD/SPD).
- The completed General Plan Information page is accepted and is made a part of this HRA PD/SPD.
- The attached HRA Reimbursement Schedule is accepted to be administered as completed and is adopted as part of the HRA Plan and part of this HRA PD/SPD.
- The Business Associate Agreement is signed, executed and hereby adopted.
- The Administrative Service Agreement is signed, executed and hereby adopted.

All required documents must be completed, signed and returned to Priority Health Managed Benefits, Inc. in order for the HRA Plan to be fully adopted and executed.

Agent Signature: _____ **Date:** _____

Employer Signature: _____ **Date:** _____