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**Health Savings Account (HSA)**

**Employee Benefits Plan Summary**

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**Health Savings Account (HSA)**

**Employee Benefits Plan Summary**

**INTRODUCTION**

This is a summary of the new and exciting benefit plan \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_ (hereinafter referred to as "the Company") has established for your benefit as one of their employees. This Plan covers you and your dependents and provides the most flexible form of tax favored benefit planning permitted under current law. It allows you to purchase the kind of benefits that are most meaningful for your individual lifestyle. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ cares about you as an employee, and they have taken the time and gone to the expense to take advantage of the new law which allows them to establish this Plan. This enables you to take advantage of the new tax laws and choose your benefits at the same time. An illustration of how this Plan may operate in your specific circumstance is shown in the example you have been given. That example is only an estimate, but has been prepared using the information you supplied earlier, so it does reflect your individual circumstances.

This summary describes the Plan in plain language and summarizes the official legal documents that govern the operation of the Plan. If you have any questions about the information in this Plan Summary, or if you would like to review the official legal documents, please contact the Company Personnel Department. This summary is not a legal document, and any issues concerning the Plan operation will be resolved solely in accordance with the official legal Plan documents.

The Plan's effective date is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_.

**ELIGIBILITY**

All full-time, part-time, and former employees who are participating in the Company Benefits on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_, are eligible to become Participants in the Plan. As an eligible employee of the Company you automatically become a Participant in the Company Plan.

Employees who do not qualify on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_, must be employed by the Company for (days/months/years) and work at least \_\_\_\_\_\_ (hours) a week before they become Participants in the Plan. Once you have qualified to be a Participant, you will remain a Participant as long as you are employed with the Company and meet all the Plan requirements. If you become disabled, you will continue to be a Plan Participant until the end of the Plan Year in which you became disabled. You will be considered disabled if you are no longer able to work because of a physical or mental disability that is expected to be permanent and that qualifies you for long-term disability benefits or retirement benefits.

**PLAN FUNDING**

At the beginning of each Plan Year, which begins on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ each calendar year, or for the first Plan Year, the Plan will run from \_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_, the Company will, in their sole discretion, agree to provide each Participant with a certain amount of money to use to pay for the benefits which are allowed by the Plan. Prior to the beginning of each Plan Year, you must choose the benefits you want during that upcoming Plan Year. This will depend to some degree on the amount of the deductible of the medical insurance that you have selected; whether single, two party, or family coverage. It might also depend on the number of hours you work each month and if you are classified as full-time, part-time (less than 30 hours a week), other, etc. These amounts from the Company will not be taxable to you or be included in your salary. If the benefits you want cost more than the amount of money the Company is going to provide, you may have the Company reduce your salary by the amount needed to pay for the benefits you have selected. In order to fund this specific Benefit Plan, you may elect a salary reduction of up to $\_\_\_\_\_\_\_\_\_\_\_. Additional amounts may be taken from your salary to fund qualified retirement pension plans. The term "salary" as it is used here does not include bonus pay, fringe benefit expenses, or other special compensation, but it does include amounts you may be contributing to qualified retirement plans such as a 401(k) plan. The Company reserves the right to reduce the amount contributed under your Salary Reduction Agreement in order to assure compliance with the restrictions imposed by law. As a Participant, you are not required to enter into a Salary Reduction Agreement under this Plan if you do not want your salary reduced.

By having the Company reduce your salary, you are authorizing the Company to make additional contributions to your "Health Savings Account," and you may not have as much money to take home and spend. However, you have presumably chosen to pay for benefits you would normally have purchased with money from your paycheck, and under the Salary Reduction Agreement, the Company has simply taken this money out of your pay before you received it. As a result of this procedure, you do not have to pay income taxes on the money that went to buy the benefits. All of your taxes will be calculated ignoring the amount that was taken from your compensation to buy the benefits. This means you really have more money to spend because not as much has been taken away in taxes. You save money by purchasing those benefits you need through the Plan, and in almost every case, the Participants actually have an increase in spendable pay.

Each month the amount you have designated and the amount the Company has provided for the purchase of qualified benefit expenses will be set aside in your own "Health Savings Account."

As a result of this procedure, you do not have to pay income taxes on the money that went to buy the benefits. All of your taxes will be calculated ignoring the amount contributed to the Plan by the Company for the HSA. This means you really have more money to spend because not as much has been taken away in taxes. You save money by purchasing those benefits you need through the Plan.

Each month the amount the Company provided for the purchase of qualified benefit expenses will be set aside in the "Health Savings Account."

**REIMBURSEMENT OF EXPENSES**

Benefits that you have chosen are paid for you out of or to your "Health Savings account" as you incur the expenses which qualify for reimbursement under the Plan. This is similar to the payroll deduction type of insurance plans you may be familiar with; however, this new procedure makes these expenses pre-tax to you. Since your Company and you have selected to have a qualified full service Administrator handle the claims processing- you agree that the Administrator will require the following:

When you pay for other expenses that qualify under the Plan as a benefit, you must save the receipt for the drugs, or the doctors bill/claims forms, or whatever the qualifying expense was. The Plan recommends that you save these receipts for a period of seven years. Once you have your receipt, you may then file for a reimbursement from your Health Savings account following the rules outlined by the Company and using the forms provided by the Company. All claims for reimbursement must be accompanied by proof showing that you have already paid or incurred the expense. You MUST submit proof that you have incurred the expense you are being reimbursed for, and the Plan Administrator will have to keep a photocopy of the "proof" to satisfy the IRS. You may not be reimbursed for expenses that are paid by an insurance carrier, a government agency, or any other source, and if a double payment is made, you will need to "pay back" the Company. No claim can be processed without a completed claim form and acceptable evidence of your expenses.

When you submit a claim for reimbursement, if you do not have enough money in your Health Savings account, then the Administrator cannot pay you a full reimbursement until enough money has been added to your account. However, if the Company chooses for your particular Health Savings account, you may be reimbursed up to the amount of your annual election, even if your account has insufficient funds at the time a request for reimbursement is made. If your claim for reimbursement is made at the end of the Plan Year, the Administrator can only reimburse you with whatever is in your account designated for reimbursement of that specific type of benefit. In other words, expenses incurred in the Plan Year can only be paid for with money saved up in that same Plan Year. If the Company chooses to reimburse for expenses incurred in prior years when there was a HSA (but not prior to 1/1/2004) but not sufficient funds to reimburse your claim; it could be possible for the Company to allow the Administrator to reimburse you for those prior year's expenses with money available from the current plan year.

Under this Plan, you cannot be reimbursed for expenses if those expenses are reimbursable under any other plan, including a plan of another employer that covers you, your spouse, or another member of your family. There is a place on the claim form for you to certify that the expenses submitted are eligible for reimbursement. Falsification of any document in which a claim is being made upon this Plan will be considered sufficient reason for permanent forfeiture of eligibility for participation in the Plan.

Claims for reimbursement of expenses related to a Plan Year must be submitted within \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (recommended sixty [60]) days after the end of the Plan Year, or within \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (recommended sixty [60]) days after you terminate employment with the Company.

**APPEALS PROCEDURES FOR DISALLOWED CLAIMS**

If one of your claims is not allowed by the Administrator, the Administrator will notify you in writing and supply you with the following information:

1. the specific reason or reasons why your claim was denied;

2. reference to the specific Plan section upon which the denial is based;

3. any additional information you need to supply or any additional steps you need to take to perfect your claim;

4. an explanation that you are entitled to a full, fair review of the matter, if you make a written request for a review within 120 days after notice is given that your claim was denied;

5. an explanation that if you file a request for review, you have the right to review all pertinent documents and you can submit written comments during the 120-day period.

After you have submitted the request, the Committee administering the Plan will need to take some action on your request within sixty (60) days, and within at least 120 days you must receive a written decision which you can understand.

**MONEY LEFT IN YOUR ACCOUNT**

After all claims for a Plan Year have been settled, extra money that is left in your Health Savings account at the end of the Plan Year will be rolled over and available for future Plan Year and the Company may determine in advance the amount of its contributions that will be eligible to be rolled over. 100% of your salary reduction amounts will be rolled over and are 100% yours. This is the IRS law and does not reflect a Company desire to punish you. This is sometimes called the "Roll Over" feature. The Company's contributions and money might not be forfeited back to the Plan if employment is terminated on account of death or disability. But on termination of employment, retirement, or for separation of service; 100% of your salary reduction amounts and their investment earnings can be rolled over into another HSA (within 60 days) controlled by you and are 100% yours. See the formal Legal Plan Document for all the current details and requirements.

Once you learn how to use the Plan, it may become the biggest tax benefit the government has ever given you. Use it wisely, and the results will be remarkable.

**TYPES OF BENEFITS ALLOWED**

The following types of benefits are qualified under this Plan, and expenses for these benefits are reimbursable to you; provided, you have elected to have the Company set aside sufficient funds for the corresponding specific benefit category. Money elected to be used in one category cannot be used for expenses you may incur in any other benefit category. If you received a reimbursement for an invalid or ineligible expense, or you requested a withdrawal of funds and you do not return the money received; you will be required to pay a 10% tax penalty.

However; the 10% penalty does not apply for reimbursements and withdrawals After one of these qualifying events such as your death, disability, after age 65, or for a rollover within 60 days into another HSA you have established.

1. Medical, Dental, and Health Expenses. All of your medical, dental, and health related expenses are qualified benefits under this Plan. These expenses include insurance premiums for all health-related insurance coverage, including accidental death and dismemberment insurance, prescriptions, cancer, dread disease, etc. All insurance deductibles and all other medical or health-related expenses are qualifying expenses. All prescription drugs, all health care products (including even Over-the-counter nonprescription drugs and medications), and almost all other expenses incurred under a doctor's directions are included (excluding toiletries, cosmetics, perfumes, etc.) A more complete list of qualifying expenses in this benefit category is found in Appendix 1 at the back of this summary. Any type of medical or health expense which is allowed as a deduction in the IRS Code qualifies for reimbursement. When you make a claim for reimbursement from your Health Savings account, you will need to sign a statement which certifies that to the best of your knowledge, the expense you are submitting for reimbursement is a qualifying expense. The annual maximum is $\_\_\_\_\_\_\_\_\_\_.

2. Long Term Care Insurance. LTC insurance is a qualified expense under this Plan. The annual maximum for premiums shall not exceed $\_\_\_\_\_\_\_\_\_\_\_ for any one participant.

3. COBRA Premiums, Medicare, Other Insurance. Insurance to pay for COBRA premiums, for medical/health insurance while you are on separation from service or temporary unemployment, for Medicare Part A, Part B, or Medicare HMO, or for employer provided medical/health insurance while a retiree are all qualified expenses under this Plan. You agree that the amount of insurance may change from Plan year to the next Plan year and you agree that your election will change automatically to meet the amount of insurance needed.

You may stop your election for these insurance coverages at any start of a Plan Year designated by the Company. Please see further details under the Election of Benefits Section below in this document.

**BENEFICIARY DESIGNATION**

On your benefit election form, you may be asked to designate a beneficiary to receive any payments from your benefits that might become payable if you should die. The insurance company application will also require you to name beneficiaries. For the specific insurance involved, the beneficiary designation on the insurance form will take precedence over the beneficiary designation you have made on your plan benefit election form.

**ELECTION OF BENEFITS**

Before the beginning of each Plan Year (\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ each calendar year or for the first Plan Year, from \_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_) or prior to your qualifying to participate in the Plan, you will be given a form and asked to elect your desired benefit program for that upcoming Plan Year. You are entitled to participate in any one benefit or combination of benefits offered under the Plan; provided that the combined costs of the elected benefits do not exceed the amount of benefit dollars that will be available in your Health Savings account. In order to participate in the Company benefit plan, you must complete the benefit election form and return it to the Company prior to the beginning of the Plan Year or your participation if you qualify after the start of the Plan Year. You must also provide any other information concerning your benefit election, as required by the Company. Once you have made your election of benefits for a Plan Year, except in a few circumstances, the election cannot be changed once the year has begun and before the next Plan Year. The election can only be changed if both the revocation and new election are made on account of and are consistent with a change in family status. This includes such things as marriage, divorce, death of spouse or a child, birth or adoption of a child, and termination of your spouse's employment. These are some examples and the Benefits Committee has the sole right to determine if the revocation and new election qualify. The amount of money withheld under your salary reduction program may also be changed to reflect changes in insurance premium costs.

**PLAN ADMINISTRATION**

This Plan will be administered by a Committee which is appointed by the Company. A majority of the Committee will be able to make all decisions related to the Plan and its administration, including review of claims. The Committee will maintain an account for each Participant, and they must maintain all records associated with the Plan. The Committee acts as a fiduciary, which means they must do those things which are in the best interest of the Participants. Their decisions must be exercised in a uniform manner so as to not discriminate either for or against any Participant. A professional administrator may be contracted by the Committee to actually make the transactions of the Plan. Those members who serve on the Committee will not be personally liable for their acts unless they act with negligence or malfeasance, and they are not responsible for the adequacy of funds used to make payments from the Plan.

**COMPANY'S RIGHT TO AMEND OR TERMINATE**

The Company intends to use this Plan permanently, but because future conditions affecting the Company cannot be anticipated or foreseen, the Company reserves the right to amend, modify or terminate the Plan at any time. Modifications will be required from time to time to qualify the Plan under the IRS regulations. The Plan is based on the Company's understanding of the current provisions of the Internal Revenue Code. The Company reserves the right to amend or discontinue the Plan if regulations or changes in the Revenue Code make it advisable to do so. In the event that the Plan is ever terminated or you terminate your employment, you will receive a distribution of your interest in the Plan.

**COMPANY'S RIGHT OF SUBSTITUTION**

If the Company chooses to, they may be substituted into your place in any legal actions arising from use of the Plan, and the Company would then have the right to any recovery or reimbursement made. You do not have the right to assign, pledge, encumber, sell, or even anticipate any of your rights under this Plan, and any attempt to do so will be void. The establishment of this Plan does not give you any rights against the Company or any individuals associated with the Company, and does not in any way act as an employment agreement.

**YOUR PLAN**

This Benefit Plan allows you to use pretax dollars to pay for many of the benefits you are currently buying with after-tax money, but it requires your planning and active participation. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ has given you the opportunity to stretch your dollars to the maximum limit permitted by federal tax law. Now you need to make the Plan work.

**APPENDIX 1**

**SOME QUALIFYING EXPENSES**

**(See More under Code Section 213 and 502)**

Acupuncture

Alcohol/drug Abuse Treatment

Cancer Insurance

Chiropractor

Christian Science Practitioner Fees

Contact Lenses

Day Care

Deductibles

Dental Costs

Dental Insurance

Disability Insurance

Doctor Office Visits

Eye Exams

Family Counseling

Glasses

Group Term Life

Group Medical Premiums

Gyn Exams

Hair Transplants

Hearing Exams

Immunizations

Lenses

Medical Equipment

Nursing Care

Nutritionist if medically necessary

Orthodontia

Over-the-counter Drugs (if prescribed by a doctor)

Pap Smear

Physicals

Prescribed Weight Loss

Prescription Sunglasses

Prescription Drugs

Psychiatrist

Rehabilitative Therapy

Special Education Tuition