# COMMONWEALTH OF KENTUCKY

# KENTUCKY EMPLOYEES HEALTH PLAN (KEHP)

# HEALTH REIMBURSEMENT ACCOUNT (WAIVERS ONLY)

# SUMMARY PLAN DESCRIPTION

The Plan Sponsor has established and continues to maintain this Commonwealth of Kentucky (KEHP) Health Reimbursement Account (the "HRA") for the benefit of its employees and their eligible *dependents* as provided in this document.

Benefits under this *Plan* are provided on a self-insured basis, which means that payment for benefits is ultimately the sole financial responsibility of the Plan Sponsor. Certain administrative services with respect to the HRA, such as claims processing, are provided under a services agreement.

Any changes in the HRA, as presented in this *Summary Plan Description*, must be properly adopted by the Plan Sponsor, and material modifications must be timely disclosed in writing and included in or attached to this document. A verbal modification of the HRA or promise having the same effect, made by any person will not be binding with respect to the HRA.

Louisville Plan Number: 239480

Lexington Plan Number: 239832

Northern Kentucky Plan Number: 240042

*Effective Date*: January 1, 2009

*Plan Year*: January 1, 2009 through December 31, 2009

Employer's Federal Tax Identification Number: 61-0600439

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# PLAN INFORMATION

## GENERAL INFORMATION ABOUT THE PLAN

The Commonwealth of Kentucky (the "*Employer*") has established the Commonwealth of Kentucky Health Reimbursement Account (the "HRA"). The purpose of this HRA is to reimburse *Participants* for certain unreimbursed medical expenses ("HRA Eligible Medical Expenses") incurred by the Participant and their eligible dependents. This HRA is intended to qualify as a self-insured medical reimbursement plan for purposes of Section 105 and 106 of the Internal Revenue Code ("Code").

Each summary and the attached Appendices constitute the *Summary Plan Description* for the Commonwealth of Kentucky Health Reimbursement Account. The *SPD* (collectively, the *Summary Plan Description* or "*SPD*") describes the basic features of the *Plan(s*), how they operate, and how you can get the maximum advantage from them. The *Plan*(s) are also established pursuant to plan documents into which the *SPD* has been incorporated. However, if there is a conflict between the official plan document and the *SPD*, the plan document will govern. Certain words in this Summary are italicized. Italicized words reflect important terms that are specifically defined in Appendix IV of this Summary. You should pay special attention to these terms as they play an important role in defining your rights and responsibilities under the *Plan*(s).

Participation in the *Plan*(s) does not give any Participant the right to be retained in the employ of his or her *Employer* or any other right not specified in the *Plan*. If you have any questions regarding your rights and responsibilities under the *Plan*(s), you may also contact the *Plan Administrator*.

## PLAN CONTACT INFORMATION

If you have any questions about the HRA, you should contact the Third Party Administrator or the *Plan Administrato*r.

*Employer* / Plan Sponsor

Commonwealth of Kentucky
Personnel Cabinet, Department of Employee Insurance
501 High Street
Second Floor
Frankfort, KY 40601
502-564-0350
502-564-0351

## PLAN INFORMATION (continued)

*Plan Administrator*

Commonwealth of Kentucky
Personnel Cabinet, Department of Employee Insurance
501 High Street
Second Floor
Frankfort, KY 40601
502-564-0350
502-564-0351

Third Party Administrator

Humana
Attn: Humana Spending Account Administration Team
PO Box 14167
Lexington KY 40512-4167
Toll Free: 1-800-604-6228
Fax: 1-800-905-1851

# ELIGIBILITY REQUIREMENTS

## PARTICIPATION

You are eligible to participate in this HRA if you satisfy the below Eligibility Requirements. Eligible *employees* who become covered under this HRA are called "*Participants.*"

"Employee" shall mean a person, including an elected public official, who is regularly employed by any department, board, agency, or branch of state government, and who is a contributing member to any one (1) of the retirement systems administered by the state.

While you are an active employee, only the *Employer* contributes to your Health Reimbursement Account (with HRA dollars). In fact, federal laws prohibit you from contributing to your Health Reimbursement Account with any portion of a pre-tax salary reduction made under a Code Section 125 cafeteria plan. You may, however, be required to pay the "applicable premium" for continuation of HRA coverage under COBRA.

## ENROLLMENT

Once you become a Participant, the *Employer* establishes a Health Reimbursement Account for you. The Health Reimbursement Account is a notional bookkeeping account that keeps a record of HRA dollars allocated to your account and reimbursements made to you under this HRA. You have no property rights to the Health Reimbursement Account. Coverage under this HRA for an Eligible Employee and Eligible Dependent(s) begins on January 1, 2009. In no event will the coverage under this HRA begin before the *effective date* of this HRA.

If eligible, e*mployees* who waive health insurance coverage will receive *Employer* Health Reimbursement Account contributions. The Commonwealth of Kentucky will contribute $175 per month for each employee who waives medical coverage, and who is eligible to receive the HRA contribution, for a total annual contribution of $2100. See KRS 18A.2254. You may not be eligible to receive the HRA contribution if you are a retiree who has returned to work and is receiving health insurance through a retirement system, or if you or your spouse participates in a Health Savings Account (HSA).

## ELIGIBILITY REQUIREMENTS (continued)

## ELECTION CHANGES

You can change your election under the Health Reimbursement Account (HRA) in the following situations:

(i). For any reason during the Annual Election Period. The election change will be effective the first day of the Plan Year following the end of the Annual Election Period.

(ii) Following a Qualifying Event. You may change your Health Reimbursement Account (HRA) election during the Plan Year only if you experience an applicable Qualifying Event.

Qualifying events are determined by your Employer and 'based on' 26 C.F.R. § 1.125-4 and Proposed Treasury Reg 1.125-2(a). Qualifying Events must be elected and signed by the employee 35 days from the date of the Qualifying Event, except for birth, adoption, or placement for adoption when adding the newly acquired dependent only, which are 60-days.

## LEAVE OF ABSENCE

Please see your Employer or Insurance Coordinator to determine what, if any, specific changes you can make during a leave of absence. If your Health Reimbursement Account coverage ceases during an FMLA leave, you may, upon returning from FMLA leave, elect to be reinstated in the Health Reimbursement Account at either

(i) The same coverage level in effect before the FMLA leave; or

(ii) At the same coverage level that is reduced pro-rata for the period of FMLA leave. Under either scenario, expenses incurred during the period that your Health Reimbursement Account coverage was not in effect are not eligible for reimbursement under this Health Reimbursement Account.

## ELIGIBLE DEPENDENTS

### Section 125 Cafeteria Plan and Working Families Tax Relief Act (WFTRA) of 2004

In the Working Families Tax Relief Act (WFTRA) of 2004 (I.R.C. § 152), Congress changed the way the Internal Revenue Service treats children under the tax code. This change may affect planholders if they pay their health insurance premiums pre-tax through the KEHP's Section 125 cafeteria plan. The WFTRA of 2004 developed a new definition for "qualified child" and "qualified relative." An employee will NOT be able to pay dependent premiums on a pre-tax basis if the employee's/planholder's dependent(s) **CANNOT MEET ONE** of these definitions (qualifying child or qualifying relative).

Pursuant to I.R.C. § 152, the definitions are as follows:

1. A "qualifying child" (QC) of an employee under Code § 152, there are four tests—the relationship, residency, age, and limited self-support tests.

   A "qualifying child" (QC) is a child who unmarried and:

   - Has a specific, family-type relationship to the member taxpayer (a child of the employee or a descendant of such child; or a brother, sister, stepbrother, or stepsister of the employee or a descendant of any such relative). (The relationship test);

     - Resides with the member in his/her household for more than half of the tax year (with certain exceptions such as "temporary absences" if a full-time student). (The residency test);

     - Is under age 19 and not a full-time student (or under age 24 if a fulltime student) as of the end of the calendar year in which the member's taxable year begins. A "student" means an individual who, during each of five calendar months during the calendar year in which the employee's taxable year begins, is a full-time student at an educational organization (The age test);

     - There is no age requirement if a child is permanently and totally disabled;

     - Individual must not provide more than half of his or her own support for the calendar year in which the taxable year of the employee begins (The limited self-support test).

## ELIGIBILITY REQUIREMENTS (continued)

2. In order to be a "qualifying relative" (QR) of an employee under Code § 152(d), there are three tests—the relationship, support, and not anyone's qualifying child tests.

   A "qualifying relative" (QR) is a child or other individual who:

   - Has a specific, family-type relationship to the member taxpayer (a child of the employee or a descendant of a child of the employee, a brother, sister, stepbrother, or stepsister of the employee, the father or mother of the employee, etc.) and is someone who resides with the employee in his/her household for the member's taxable year. (The relationship test);

   - A person cannot be a "qualifying relative" of the member if at any time during the taxable year the relationship between the member and the person violates federal, state, or local law; (The relationship test);

   - Receives over half of his/her own support from the member-taxpayer. Support includes food, shelter, clothing, medical and dental care, education, and the like.) (The support test);

   - Is not anyone's (including the member's) "qualifying child." (See definition above) (The not anyone's qualifying child test).

NOTE: An individual generally will not be a dependent under Code § 152 if he or she is a dependent of a Code § 152 dependent, a married dependent filing a joint tax return, or a citizen or national of a country other than the United States.

## REDIRECTION OF EMPLOYER CONTRIBUTION

A *Participant* may be eligible to redirect the employer contribution. Please contact your Insurance Coordinator for details.

## UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT (USERRA)

Special rule for leaves of absence due to services in the Uniformed Services:

If a covered employee takes a leave of absence to perform services in the Uniformed Services (as addressed in the Uniformed Services Employment and Reemployment Rights Act or "USERRA") that is expected to last 31 days or more, the covered employee may be able to continue health coverage for the employee and any Eligible Dependents until the earlier of 24 months from the date the leave began or the date that the employee fails to return to work as required under USERRA or otherwise lose his/her rights under USERRA). The cost to continue this coverage during the 24 month period is 102% of the applicable premium. The USERRA continuation period will run concurrent with the COBRA period described in this *SPD*. The COBRA rights described in this *SPD* apply only to the COBRA continuation period. Notwithstanding anything to the contrary in this *SPD*, continuation of coverage during a military leave of absence covered under USERRA will be administered in accordance with requirements of USERRA and if greater rights are inadvertently provided in this *SPD*, the terms of USERRA will control.

## EMPLOYEE EFFECTIVE DATE OF COVERAGE

You must enroll on forms acceptable to the Plan Sponsor

1. If your completed enrollment forms are signed by you within 30 days after *your* hire date, *your* coverage is effective on the 1st day of the 2nd month following the month of hire. Your coverage may be effective at a later date as determined by the Plan Sponsor.

2. If your completed enrollment forms are signed by *you* more than 30 days after *your* hire date , *you* are a *late applicant* and you will not be eligible for coverage under this Plan until the next annual open enrollment period or until you experience a permitted *qualifying event*. *Your* coverage is effective as determined by the Plan Sponsor.

## TERMINATION OF COVERAGE

Participation in the HRA ends on the day employment terminates or the day the employee becomes ineligible for participation, whichever comes first. However, you may be eligible to continue participation under this HRA in accordance with federal law beyond the date that participation would otherwise end. Your COBRA continuation rights and responsibilities are described in the Continuation of Coverage section. All HRA dollars that are not applied towards Eligible Medical Expenses incurred before your termination date are forfeited.

Although the *Employer* expects to maintain the HRA indefinitely, it has the right to modify or terminate the program at any time for any reason. All modifications/terminations effectuated by the *Employer* will be applied to all *Participants* except as otherwise stated.

## REIMBURSEMENT

## AVAILABLE FUNDS

Each *Plan Year*, the *Employer* allocates a specified amount of HRA dollars to your Health Reimbursement Account. The amount of HRA dollars allocated to your Health Reimbursement Account is determined at the sole discretion of the *Employer*. Nevertheless, the annual amount of HRA dollars allocated to each Participant's Health Reimbursement Account will be determined in a uniform and non-discriminatory manner in comparison to other similarly situated *employees*.

The Commonwealth of Kentucky Health Reimbursement Account does not contain a Maximum Account Balance. HRA dollars remaining in the Health Reimbursement Account at the end of the Plan Year will roll over to the next Plan Year, if you continue to waive health insurance coverage and you remain eligible to receive the funds. You must re-enroll each year to receive coverage.

## ELIGIBLE CLAIMS

Only medical care expenses that have not been or will not be reimbursed by any other source may be Eligible Medical Expenses (to the extent all other conditions for Eligible Medical Expenses have been satisfied). As such, this HRA does not coordinate benefits with any other group or individual health coverage except as provided herein.

"HRA Eligible Medical Expenses" are medical care expenses ***incurred*** by you or your eligible dependents that satisfy all of the conditions described below. All expenses that are not within the scope of "HRA Eligible Medical Expenses" described below are excluded. The following expenses are eligible for reimbursement under this HRA *Plan* (provided all other terms and conditions of the HRA have been satisfied):

Medical
Preventive Health Care
Prescriptions
Over the Counter Medications
Vision
Dental
Durable Medical Equipment

"Incurred" means the date the service or treatment is provided; not when the expense arising from the service or treatment is paid. Thus, an expense that has been paid but not incurred (e.g. pre-payment to a physician) will not be reimbursed until the services or treatment giving rise to the expense has been provided. In no event will the following expenses be eligible for reimbursement:

- Any expense that is not a Code Section 213(d) expense
- Any expenses incurred for qualified long term care services
- Expenses incurred prior to the date that coverage under this HRA becomes effective
- Expenses incurred after the date that coverage under this HRA ends
- Expenses that have been reimbursed by another plan or for which you plan to seek reimbursement under another health plan.

To the extent that Eligible Medical Expenses are covered both by this HRA and by an *Employer* administrated FSA in which the employee participates, Eligible Medical Expenses are first reimbursed from the FSA and then the HRA.

## CLAIM REIMBURSEMENT

Under this HRA, you have two reimbursement options. You can complete and submit a written claim for reimbursement (see "Traditional Paper Claims" below for more information). Alternatively, you can use an electronic payment card (see "Electronic Payment Card" below for more information) to pay the expense. In order to be eligible for the Electronic Payment Card, you must agree to abide by the terms and conditions of the Electronic Payment Card Program (the "Program") as set forth herein and in the Electronic Payment Cardholder Agreement (the "Cardholder Agreement") including limitations as to card usage, the *Plan*'s right to withhold and offset for ineligible claims, etc. The following is a summary of how both options work.

HRA claim is deemed filed when it is received by the Third Party Administrator. If your claim for reimbursement is approved, you will be provided reimbursement as soon as reasonably possible following the determination.

In some instances, *your* insurer (if Humana) may submit the EOB on *your* behalf. In that situation, *you* certify when *you* incur the expense that the expense has not been reimbursed by any other source and that *you* will not seek reimbursement from any other source. *You* may submit requests for reimbursement of Eligible Medical Expenses at any time prior to the end of the HRA Run Out Period. The HRA Run Out Period for active *employees* is 90 days after the end of the *plan year*.

If it is later determined that you and/or your eligible Dependent(s) received an overpayment or a payment was made in error (e.g., you were reimbursed for an expense under the HRA that is later paid for by your health plan you will be required to refund the overpayment or erroneous reimbursement to the HRA.

If you do not refund the overpayment or erroneous payment the Plan reserves the right to offset future reimbursement equal to the overpayment or erroneous payment or, if that is not feasible, to withhold such funds from your pay. If all other attempts to recoup the overpayment/erroneous payment are unsuccessful, the Plan Administrator may treat the overpayment as a bad debt, which may have income tax implications for you. In addition, if the Plan Administrator determines that you have submitted a fraudulent claim, the Plan Administrator may terminate your coverage under this HRA.

## REIMBURSEMENT (continued)

**Traditional Paper Claims**

When you incur an Eligible Medical Expense, you file a claim with the Plan's Third Party Administrator by completing and mailing or faxing a Request for Reimbursement Form. Forms can be mailed to PO Box 14167, Lexington, KY 40512-4167 or faxed to 1-800-905-1851. You may obtain a Request for Reimbursement Form from the Third Party Administrator or print a copy from the KEHP website at http://kehp.ky.gov. You must include with your Request for Reimbursement Form a written statement from an independent third party (e.g., a receipt, EOB, etc.) associated with each expense that indicates the following:

(i) The nature of the expense (e.g. what type of service or treatment was provided).

(ii) The date the expense was incurred; and

(iii) The amount of the expense.

The Third Party Administrator will process the claim once it receives the Request for Reimbursement Form from you. Reimbursement for expenses that are determined to be Eligible Medical Expenses will be made as soon as possible after receiving the claim and processing it. If the expense is determined to not be an Eligible Medical Expense, you will receive notification of this determination. You must submit all claims for reimbursement for Eligible Medical Expenses during the *Plan Year* in which they were incurred or during the Run Out Period.

**Electronic Payment Card**

The Electronic Payment Card allows you to pay for Eligible Medical Expenses at the time that you incur the expense.

1. In order to be eligible for the Electronic Payment Card, you must agree to abide by the terms and conditions of the Program as set forth herein and in the Electronic Payment Cardholder Agreement (the "Cardholder Agreement") including limitations as to card usage, the *Plan*'s right to withhold and offset for ineligible claims, etc.

   You must agree to abide by the terms of the Program both during the Initial Election Period and during each Annual Election Period. A Cardholder Agreement will be provided to you. The Cardholder Agreement is part of the terms and conditions of your *Plan* and this *SPD*.

## REIMBURSEMENT (continued)

2. The card will be turned off when employment or coverage terminates. The card will be turned off if you fail to provide the correct documentation to Humana, when necessary to substantiate claims. If Humana does not receive substantiation (verification) from you within thirty (30) days after you swipe the Humana Access Card, then Humana will request this substantiation from you. If substantiation is not received within 30 more days (for a total of 60 days from the initial Humana Access Card swipe), then claims processing will be suspended. This suspension of claims will include the use of the Humana Access Card as well as reimbursements for traditional paper claims.

   The card will be turned off when you terminate employment or when coverage under the *Plan* ends. Contact your Third Party Administrator for reactivation of the electronic payment card if you elect COBRA, and after submission of your initial COBRA premium payment.

3. You must certify proper use of the card. As specified in the Cardholder Agreement, you certify during the applicable Election Period that the amounts in your HRA will only be used for Eligible Medical Expenses (i.e. medical care expenses incurred by you, your *spouse*, and your tax dependents) and that you have not been reimbursed for the expense and that you will not seek reimbursement for the expense from any other source. Failure to abide by this certification will result in termination of card use privileges.

4. HRA reimbursement under the card is limited to certain providers. Use of the card for HRA expenses is limited to merchants who are providers such as doctors and pharmacies.

5. You swipe the card at the health care provider like you do any other credit card. When you incur an Eligible Medical Expense at a doctor's office or pharmacy, such as a co-payment or prescription drug expense, you swipe the card at the provider's office much like you would a typical credit card. The provider is paid for the expense up to the maximum reimbursement amount available under the HRA (or as otherwise limited by the Program) at the time that you swipe the card. Every time you swipe the card, you certify to the *Plan* that the expense for which payment under the HRA is being made is an Eligible Medical Expense and that you have not been reimbursed from any other source nor will you seek reimbursement from another source.

6. You must obtain and retain a receipt/third party statement each time you swipe the card. You must obtain a third party statement from the health care provider (e.g., receipt, invoice, etc.) that includes the following information each time you swipe the card:

- The nature of the expense (e.g., what type of service or treatment was provided).
- If the expense is for an over the counter drug, the written statement must indicate the name of the drug.
- The date the expense was incurred.
- The amount of the expense.

You must retain this receipt for one year following the close of the *Plan year* in which the expense is incurred. Even though payment is made under the card arrangement, you may be required to submit a written third party statement (except as otherwise provided in the Cardholder Agreement). You will receive a letter from the Claims Administrator that a third party statement is needed. You must provide the third party statement to the Claims Administrator within 45 days (or such longer period provided in the letter from the Claims Administrator) of the request.

7. There may be situations in which you will not be required to provide the written statement to the claims administrator. More detail as to which situations apply under your *Plan* is specified in the Cardholder Agreement.

   Note: You should still obtain the third party receipt when you incur an expense and swipe the card, even if you think it will not be needed, in the event the receipt is requested by the Claims Administrator.

8. Pay at the pharmacy with your Visa Humana*Access* Card.

   Here are the steps to take when paying at the pharmacy:

   - When you pick up your prescription, present your primary insurance card so your pharmacist can identify your copayment amount and bill your insurer.
   - Ask your pharmacist to follow the instructions on the Humana*Access* card to submit a second claim to Humana, which takes only a few minutes.
   - Then swipe your Humana*Access* card through the credit card machine, to make the payment.
   - Select “credit” – not “debit” – for your transaction.
   - Sign and save the receipt.

   To find a complete list of participating pharmacies, please visit kyhealthplan.com.

## REIMBURSEMENT (continued)

9. You must pay back any improperly paid claims. If you are unable to provide adequate or timely substantiation as requested by the Claims Administrator, you must repay the *Plan* for the unsubstantiated expense. The deadline for repaying the *Plan* is set forth in the Cardholder Agreement. If you do not repay the *Plan* within the applicable time period, the card will be turned off and an amount equal to the unsubstantiated expense may be offset against future eligible claims under the HRA. The Plan further reserves the right to withhold the amount of any unsubstantiated expenses from your paycheck and to take any additional steps deemed necessary to properly account for any unsubstantiated expenses.

10. You can use either the payment card or the traditional paper claims approach. You have the choice as to how to submit your eligible claims. If you elect not to use the electronic payment card, you may also submit claims under the Traditional Paper Claims approach discussed above. Claims for which the Electronic Payment Card has been used cannot be submitted as Traditional Paper Claims.

11. This plan reserves the right to initiate the following correction procedures to recoup money from participants for claims that are improperly paid from the health HRA (i.e., a claim that qualifies for after-the-fact-substantiation for which proper substantiation is not subsequently provided).

    - Deny Access to the Card. To ensure that no further violations occur, the card must be deactivated until the amount of the improper payment is recovered. In the meantime, the participant must request reimbursements through other methods (e.g., by submitting traditional paper claims).

    - Require Repayment. The employer may "demand" that the participant repay the improper payment. A letter to the participant will be sent identifying the amount, the reasons for requiring repayment, and the timeframe in which the repayment must be made.

    - Withhold From Pay. If the demand for repayment is unsuccessful, then an amount equal to the improper payment must be withheld from the participant's pay or other compensation, to the full extent permitted under applicable law.

    - Offset. If the improper payment is still outstanding and amounts are not available to be withheld, then the employer is to apply a substitution or offset approach against subsequent valid claims, up to the amount of the improper payment.

- Treat Payment as Other Business Indebtedness. If the above correction efforts prove unsuccessful, then the employee remains indebted to the employer for the amount of the improper payment. In that event, and consistent with its business practices, the employer may treat the payment as it would treat any other business indebtedness

## MAXIMUM AMOUNT OF REIMBURSEMENT

The maximum reimbursement amount that you can receive is equal to your Health Reimbursement Account balance at the time the request for reimbursement is processed.

## DENIED CLAIMS

If your claim for benefits is denied, you will have the right to a full and fair review process. Refer to Appendix I of this *SPD* for a detailed summary of the Claims Procedures under this *Plan*.

## UNCLAIMED HEALTH CARE REIMBURSEMENTS

Any funds that you are not entitled to carry over will be forfeited and returned to the *employer*.

The Carry Over amount will be allocated to your Health Reimbursement Account by Humana after the HRA Run Out Period. Please view the Reimbursement section of this *Summary Plan Description* to determine the Health Reimbursement Account limits for your Health Reimbursement Account.

# CONTINUATION OF COVERAGE

## COBRA CONTINUATION COVERAGE

A federal law called "COBRA" requires most employers sponsoring group health plans to offer covered *employees* and certain covered family members the opportunity for a temporary extension of health care coverage (called "Continuation Coverage") in certain instances where coverage under the group health plan would otherwise end. These rules apply to the *Plan* (including the HRA) unless the *Employer* is a small *employer* as defined under applicable law. The *Plan Administrator* will tell you whether the *Plan* is subject to these rules. Below is a description of your rights and responsibilities under COBRA.

The COBRA Administrator for the Commonwealth of Kentucky Health Reimbursement Account is:

Ceridian COBRA Continuation Services
3201 34th Street South
St. Petersburg, FL 33711-3828
1-800-488-8757

When Coverage May Be Continued Under COBRA:

If you are a Participant or an Eligible Dependent under the HRA, then you may continue your coverage under the HRA if you elect COBRA continuation coverage.

Type of Coverage

If you choose continuation coverage, you are entitled to the level of coverage under the HRA in effect for you immediately preceding the *qualifying event*. At the beginning of each *plan year* that COBRA is in effect, you will be entitled to an increase in your Health Reimbursement Account Balance equal to the sum of the HRA dollars allocated to similarly situated active *participants* (subject to any restrictions applicable to similarly situated active *participants*) so long as you continue to pay the applicable premium.

Cost

For the period of continuation coverage, the cost of such coverage will not exceed 102% of the "applicable premium", as determined by the *Plan Administrator*, or 150% of the "applicable premium" during any disability extension to which you may be entitled, as determined by the Social Security Administration. The *Plan Administrator* will notify you of the applicable premium. The notice you receive will describe the premium payment requirements under the *Plan* (e.g., who you pay the premium to, etc.).

# APPENDIX I

## CLAIMS REVIEW PROCEDURE CHART

The *Effective Date* of this Appendix I is January 1, 2009. It should replace and supersede any other Appendix I with an earlier date.

The *Plan* has established the following claims review procedure in the event you are denied a benefit under this *Plan*.

**Step 1:** Notice is received from Third Party Administrator. If your claim is denied, you will receive written notice from the Third Party Administrator that your claim is denied as soon as reasonably possible, but no later than 30 days after receipt of the claim. For reasons beyond the control of the Third Party Administrator, the Third Party Administrator may take up to an additional 15 days to review your claim. You will be provided written notice of the need for additional time prior to the end of the 30-day period. If the reason for the additional time is that you need to provide additional information, you will have 45 days from the notice of the extension to obtain that information. The time period during which the Third Party Administrator must make a decision will be suspended until the earlier of the date that you provide the information or the end of the 45-day period.

**Step 2:** Review your notice carefully. Once you have received your notice from the Third Party Administrator, review it carefully. The notice will contain:

- The reason(s) for the denial and the *Plan* provisions on which the denial is based;
- A description of any additional information necessary for you to perfect your claim, why the information is necessary, and your time limit for submitting the information;
- A description of the *Plan*'s appeal procedures and the time limits applicable to such procedures; and
- A right to request all documentation relevant to your claim.

**Step 3:** If you disagree with the decision, file an Appeal. If you do not agree with the decision of the Third Party Administrator and you wish to appeal, you must file your appeal no later than 180 days after receipt of the notice described in Step 1. You should submit all information identified in the notice of denial as necessary to perfect your claim and any additional information that you believe would support your claim.

**Step 4:** Notice of Denial is received from Third Party Administrator. If the claim is again denied, you will be notified in writing as soon as possible but no later than 30 days after receipt of the appeal by the Third Party Administrator.

**Step 5:** Review your notice carefully. You should take the same action that you took in Step 2 described above. The notice will contain the same type of information that is provided in the first notice of denial provided by the Third Party Administrator.

**Step 6:** If you still disagree with the Third Party Administrator's decision, file a 2nd Level Appeal with the *Plan Administrator*. If you still do not agree with the Third Party Administrator's decision and you wish to appeal, you must file a written appeal with the *Plan Administrator* within the time period set forth in the first level appeal denial notice from the Third Party Administrator. You should gather any additional information that is identified in the notice as necessary to perfect your claim and any other information that you believe would support your claim.

If the *Plan Administrator* denies your 2nd Level Appeal, you will receive notice within 30 days after the *Plan Administrator* receives your claim. The notice will contain the same type of information that was referenced in Step 1 above.

Other important information regarding your appeals

- Each level of appeal will be independent from the previous level (i.e., the same person(s) or subordinates of the same person(s) involved in a prior level of appeal will not be involved in the appeal);
- On each level of appeal, the claims reviewer will review relevant information that you submit even if it is new information.

## MISCELLANEOUS RIGHTS UNDER THE HRA

Continue Group Health Plan Coverage

You may continue health care coverage for yourself, *Spouse* or Dependent children if there is a loss of coverage under the *Plan* as a result of a *qualifying event*. You or your eligible Dependents will have to pay for such coverage. You should review the relevant sections of the HRA Summary for more information concerning your COBRA continuation coverage rights.

# APPENDIX II

This Plan has adopted qualifying events (i.e. election changes) "based on" 26 C.F.R § 1-125-4 and Prop. Treas. Reg. § 1.125-2(a)(1). Please contact your employer or insurance coordinator for additional information concerning this Plan's qualifying events.

**Effective Dates**

Effective dates for the various mid-year election changes are as follows:

**Health Reimbursement Account (HRA)**

A. Events allowing enrollment in a Health Plan

1 Birth, Adoption, placement for adoption = Date of the event.

2. Marriage, loss of other coverage, court or administrative orders for dependent(s), expiration of COBRA = 1st day of the 1st month from the employee signature date.

3. Different open enrollment = 1st day of the 1st month (match effective date of other employer's plan).

4. Returning from Military Leave = Date of return to work or day after TRICARE ends (employee's option).

B. Events allowing contributions to cease (for reasons other than enrolling in the plan).

1. Termination of employment = Date of termination of employment.

2. Death = Date of death.

3. Different open enrollment = Last day of the month (match other employer's plan).

4. Start Military Leave = Date of the event.

All Qualifying Events must be signed by the employee 35 days from the date of the Qualifying Event, except for birth, adoption, or placement for adoption when adding the newly acquired dependent only, which are 60-days. Qualifying Events dealing with loss of other group coverage or gaining other group coverage may be signed by the employee prior to the Qualifying Event date. In any case, a requested change due to a Qualifying Event will not be effective prior to the event taking place.

# APPENDIX III

## ELIGIBLE CLAIMS EXPENSES

Note: This is only a list of examples. The IRS could allow or disallow items depending on facts or circumstances. For a complete listing on non-reimbursed qualified expenses, refer to Internal Revenue Service (IRS) Publication 502. This publication is available at *your* public library or from the IRS.

**Assistance for the Handicapped:**

Allowable Expenses

- Cost of guide for a blind person
- Cost of note-taker for a deaf child in school
- Cost of Braille books and magazines in excess of cost of regular editions
- Seeing eye dog (cost of buying, training , and maintaining)
- Hearing-trained cat or other animal to assist deaf person (cost of buying, training, and maintaining)
- Household visual alert system for deaf person
- Excess cost of specifically equipping automobile for handicapped person over the cost of ordinary automobile; device for lifting handicapped person into automobile
- Special devices, such as tape recorder and typewriter, for a blind person

**Dental and Orthodontic Care:**

Allowable Expenses

- Dental care
- Artificial teeth/Dentures
- Cost of fluoridation of home water supply advised by dentist
- Braces, orthodontic services

Specifically Disallowed

- Teeth bleaching
- Tooth bonding that is not medically necessary

**Fees/Services:**

Allowable Expenses

- Physician's fees
- Obstetrical expenses
- Hospital services
- Nursing services for care of a specific medical ailment
- Cost of a nurse's room and board when nurse's services qualify
- The Social Security tax paid with respect to wages of a nurse when nurse's services qualify
- Surgical or diagnostic services
- Legal sterilization
- Cosmetic surgery or procedures that treat a deformity caused by an accident or trauma, disease or an abnormality at birth
- Services of chiropractors and osteopaths
- Anesthesiologist's fees
- Dermatologist's fees
- Gynecologist's fees

Specifically Disallowed

- Cosmetic surgery or procedures that improve the patient's appearance but do not meaningfully promote the proper function of the body or prevent or treat an illness or a disease
- Payments to domestic help, companion, baby-sitter, chauffeur, etc., who primarily renders services of a non-medical nature
- Nursemaids or practical nurses who render general care for healthy infants
- Fees for exercise, athletic, or health club membership, when there is no specific health reason for membership
- Payments for child care
- Marriage counseling provided by a member of the clergy

**Hearing Care:**

Allowable Expenses

- Hearing aids
- Batteries for operation of hearing aids

**Medical Equipment:**

Allowable Expenses

- Wheelchair or automate (cost of operating/maintaining)
- Crutches (purchased or rented)
- Special mattress and plywood boards prescribed to alleviate arthritis
- Oxygen equipment and oxygen used to relieve breathing problems that result from a medical condition
- Artificial limbs
- Support hose (if medically necessary)
- Wigs (where necessary for mental health or individual who loses hair because of disease)
- Excess cost of orthopedic shoes over the cost of ordinary shoes

Specifically Disallowed

- Wigs, when not medically necessary for mental health
- Vacuum cleaner purchased by an individual with dust allergy

**Miscellaneous Charges:**

Allowable Expenses

- X-rays
- Expenses of services connected with donating an organ
- Cost of computer storage of medical records
- Cost of special diet, but only if it is medically necessary and only to the extent that costs exceed that of a normal diet
- Transportation expenses primarily for, and essential to, medical care including bus, taxi, train, plane fares, ambulance services, parking fees, and tolls
- Lodging expenses (not provided in a hospital or similar institution) while away from home if all of the following requirements are met:
  - Lodging is primarily for and essential to medical care.
  - Medical care is provided by a doctor in a licensed hospital or in a medical care facility related to, or the equivalent of, a licensed hospital.
  - Lodging is not lavish or extravagant under the circumstances.

- There is no significant element of personal pleasure, recreation, or vacation in the travel away from home. The amount included in medical expensed cannot exceed $50 for each night for each person. Lodging is included for a person for whom transportation expenses are a medical expense because that person is traveling with the person receiving medical care. For example, if a parent is traveling with a sick child, up to $100 per night is included as a medical expense for lodging (meals are not deductible).

- Amounts paid for meals during inpatient care at hospital or similar institution, if the main reason for being there is to receive medical care

Specifically Disallowed

- Expenses of divorce when doctor or psychiatrist recommends divorce
- Cost of toiletries, cosmetics, and sundry items (e.g., soap, toothbrushes)
- Cost of special foods taken as a substitute for regular diet, when the special diet is not medically necessary or cost is not in excess of a normal diet
- Maternity clothes
- Diaper service
- Distilled water purchased to avoid drinking fluoridated city water supply
- Installation of power steering in an automobile
- Pajamas purchased to wear in hospital
- Mobile telephone used for personal phone calls as well as calls to a physician
- Insurance against loss of income, loss of life, limb or sight
- Union dues for sick benefits for members
- Contributions to state disability funds
- Premiums for insurance coverage including long-term care
- Capital expenditures (i.e. construction costs, elevators, swimming pool, or hot tub)

## Over the Counter (OTC) Medications:

Allowable Expenses

### Antiseptics

- Antiseptic wash or ointment for cuts of scrapes
- Benzocaine swabs
- Boric acid powder
- First aid wipes
- Hydrogen peroxide
- Iodine tincture
- Rubbing alcohol
- Sublimed sulfur powder

### Asthma Medications

- Bronchodilator / Expectorant tablets
- Bronchial asthma inhalers

### Cold, Flu, and Allergy Medications

- Allergy medications
- Cold relief syrup
- Cold relief tablets
- Cough Drops
- Cough syrup
- Flu relief tablets or liquid
- Medicated chest rub
- Nasal decongestant inhaler
- Nasal decongestant spray or drops
- Nasal strips to improve congestion
- Saline nose drops
- Sinus and allergy homeopathic nasal spray
- Sinus medications
- Vapor patch cough suppressant

**Diabetes**

- Diabetic lancets
- Diabetic supplies
- Diabetic test strips
- Glucose meter

**Ear / Eye Care**

- Ear water-drying aid
- Ear wax removal drops
- Eye drops
- Homeopathic earache tablets
- Contact lens solutions
- Reading glasses

**Health Aids**

- Adhesive or elastic bandages
- Antifungal treatments
- Condoms
- Denture adhesives
- Diuretics and water pills
- Feminine antifungal treatments
- Hemorrhoid relief
- Incontinence supplies
- Lice control
- Medicated bandages
- Motion sickness tablets
- Respiratory stimulant ammonia
- Sleeping aids

**Pain Relief**

- Arthritis pain reliever
- Cold sore remedy
- Itch relief
- Orajel ®
- Pain relievers, aspirin and non-aspirin
- Throat pain medications

**Personal Test Kits**

- Blood pressure meter
- Cholesterol tests
- Colorectal cancer screening tests
- Home drug tests
- Ovulation indicators
- Pregnancy tests
- Thermometers

**Skin Care**

- Acne medications
- Anti-itch lotion
- Bunion and blister treatments
- Cold sore and fever blister medications
- Corn and callus removal medications
- Diaper rash ointment
- Eczema cream
- Medicated bath products
- Wart removal medications

**Stomach Care**

- Acid reducers
- Antacid gum
- Antacid liquid
- Antacid tablets
- Anti-diarrhea medications
- Gas prevention food enzyme dietary supplement
- Gas relief drops for infants and children
- Ipecac syrup
- Laxatives
- Pinworm treatment
- Prilosec®
- Upset stomach medications

Specifically Disallowed

- Aromatherapy
- Baby bottles and cups
- Baby oil
- Baby wipes
- Breast enhancement system
- Cosmetics
- Dental floss
- Deodorants
- Facial care
- Feminine care
- Fragrances
- Hair regrowth
- Low carbohydrate foods
- Low calorie foods
- Petroleum jelly
- Shampoo and conditioner
- Skin care products not previously mentioned
- Spa salts
- Tooth brushes

**Physicals:**

Allowable Expenses

- Routine and preventive physicals
- School and work physicals

**Prescription Drugs:**

Allowable Expenses

- Prescription drugs or insulin
- Birth control drugs (prescribed)

Specifically Disallowed

- Vitamins or experimental drugs

## APPENDIX III (continued)

**Psychiatric Care:**

Allowable Expenses

- Services of psychotherapists, psychiatrists, and psychologists
- Psychiatric therapy for sexual problems
- Legal fees directly related to commitment of a mentally ill person

Specifically Disallowed

- Psychoanalysis undertaken to satisfy curriculum requirements of a *student*

**Treatments and Therapies:**

Allowable Expenses

- X-ray treatments
- Treatment for alcoholism or drug dependency
- Acupuncture to treat a medical condition
- Vaccinations
- Physical therapy (as a medical treatment)
- Speech therapy
- Smoking cessation programs

Specifically Disallowed

- Physical treatments unrelated to specific health problem (e.g., massage for general well-being)
- Any illegal treatment

**Vision Care:**

Allowable Expenses

- Optometrist's or ophthalmologist's fees
- Eyeglasses
- Contact lenses and cleaning solutions
- LASIK and other surgical procedures

Specifically Disallowed

- Lens replacement insurance

**Dual Use – requires letter from your doctor:**

Allowable Expenses

- Foot spa
- Gloves and masks
- Herbs
- Leg or arm braces
- Massagers
- Minerals
- Special supplements
- Special teeth cleaning system
- Sun tanning products
- Vitamins
- Weight loss maintenance programs

# APPENDIX IV

## DEFINITIONS

***Effective Date*** **-** This is the date the Plan was established**.**

***Employee*** **-** means a person who is employed by a Participating Agency with the Kentucky Employees Health Plan and is eligible to apply for coverage under the Kentucky Employees Health Plan. See KRS 18.225 and KRS 18.227.

***Employer*** **-** means the Commonwealth of Kentucky and any Affiliated Employer who adopts the Plan pursuant to authorization provided by the Employer. Affiliated Employers who adopt the Plan shall be bound by the Plan as adopted and subsequently amended unless they clearly withdraw from participation herein.

***Participant*** **-** means an Employee who becomes a Participant pursuant to this Summary Plan Description.

***Plan*** **-** means this Plan, as set forth herein.

***Plan Administrator*** **-** means the person(s) or Committee identified in the Summary Plan Description that is appointed by the Employer with authority, discretion, and responsibility to manage and direct the operation and administration of the Plan. If no such person is named, the Plan Administrator shall be the Employer.

***Plan Year*** **-** shall be the period of coverage set forth in this Summary Plan Description.

***Qualifying Event*** **-** means any of the events described in this Summary Plan Description, as well as any other events included under subsequent changes to Code Section 125 or regulations issued under Code Section 125, that the Plan Administrator (in its sole discretion) decides to recognize on a uniform and consistent basis as a reason to change the election mid-year.

***Redirection*** – means the ability to stop the employer contribution from being deposited into an HRA in order to receive the employer established contribution toward health insurance coverage.

***Spouse*** **-** means an individual who is legally married to a Participant (and who is treated as a spouse under the Code).

***Summary Plan Description or "SPD"*** **-** means the Flexible Benefits Plan SPD and all appendices incorporated into and made a part of the SPD that is adopted by the Employer and as amended from time to time. The SPD and appendices are incorporated hereto by reference.

# APPENDIX V

## NOTICE OF PRIVACY PRACTICES (SUMMARY)

***THIS NOTICE DESRCIBES HOW YOUR PROTECTED HEALTH INFORMATION MAY BE USED AND DISCLOSED AND HOW YOU CAN GET ACCESS TO THIS INFORMATION. PLEASE READ IT CAREFULLY.***

This Notice describes the obligations of the Department of Employee Insurance (DEI) and your legal rights regarding your Protected Health Information (PHI) under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Among other things, this Notice describes how your PHI may be used or disclosed to carry out treatment, payment, or health care operations, or for any other purposes that are permitted or required by law. This is a summary of DEI's Notice of Privacy Practices. For a complete Notice, please go to our web site at www.kehp.ky.gov or call our Member Services Branch at 888-581-8834.

The Kentucky Employees Health Plan (KEHP) is a self-funded governmental plan and, therefore, we are required to provide this Notice of Privacy Practice to you pursuant to HIPAA. DEI is the plan sponsor.

The HIPAA Privacy Rule protects only PHI. Generally, PHI is individually identifiable health information, including demographics information, collected from you or created or received by a health care provider, health care clearing house, or your employer on behalf of a group health plan that relates to: 1) your past, present, or future physical or mental health or condition; 2) the provisions or health care to you; or 3) past, present, or future payment for provisions of health care to you. DEI does not maintain information regarding your specific medical condition but does maintain PHI related to demographic information and other information that is necessary for determining eligibility and enrollment in the KEHP. If you have any questions about this Notice or about our Privacy Practices, please visit http://personnel.ky.gov/benefits/dei/hipaa.htm or contact Department of Employee Insurance, Attn; HIPAA Privacy Officer, 501 High Street, 2nd Floor, Frankfort, Kentucky 40601. The effective date of this Notice is January 1, 2008.

DEI Responsibilities

We are required by law to: 1) maintain the privacy of your PHI; 2) provide you with certain rights with respect to your PHI; 3) provide you with a copy of this Notice of our legal duties and privacy practices with respect to your PHI; and 4) follow the terms of the Notice that is currently in effect. We reserve the right to change the terms of Notice and to make new provisions regarding your PHI that we maintain, or as required by law.

## APPENDIX V (continued)

How DEI May Use and Disclose Your Protected Health Information

Under the law, we may use or disclose your PHI under certain circumstance without your permission. The following categories represent the different ways that we may use or disclose your protected health information: 1) For Treatment; 2) For Payment; 3) For Health Care Operations; 4) To Business Associates; 5) As Required by.