

ST. FRANCIS HEALTH SERVICES OF MORRIS, INC.
SELECTACCOUNT FLEXIBLE SPENDING PLAN
PRE-TAX PREMIUM SUMMARY

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1. INTRODUCTION

The Company's SelectAccount Flexible Spending Plan (the "Plan") permits Eligible Employees to choose to pay for certain benefits on a pre-tax basis.

This *Summary* describes the Pre-Tax Premium Benefit, under which your Premium contributions for Health Insurance will be paid on a pre-tax basis. This will generally result in a tax savings and increase your spendable income.

Refer to our *SelectAccount Premium Only Plan Employee Brochure* for a tax savings example. You may also want to use the *Tax Savings Calculator* link available at www.SelectAccount.com to estimate your tax savings.

The tax benefit you experience will depend on the benefits you elect, as well as other factors that affect the amount of taxes you pay. Although participating in the Plan can provide significant tax advantages, there may be tax disadvantages to participating in the Plan based on your particular situation. You may wish to consult with your tax advisor.

2. DETAILS REGARDING THE PRE-TAX PREMIUM BENEFIT

- (a) **Pre-Tax Premium Benefit for Health Insurance.** The Plan permits the Health Insurance listed in the *Plan Specifics* to be paid on a pre-tax basis.
- (b) **Automatic Enrollment in Pre-Tax Premium Benefit.** If you elect Health Insurance Coverage, you will automatically be enrolled in the Pre-tax Premium Benefit (unless you opt out of pre-tax premium payment for the coverage).
- (c) **You are Not Required to Request Reimbursement.** Pre-tax Premium Benefits will automatically be deducted from your paycheck before taxes are withheld and will be paid directly to the appropriate insurance company. You do not need to submit a claim for these expenses.
- (d) **Changes to Your Pre-Tax Premium May Not Correspond with Changes to Your Health Insurance.** If there is an insignificant change in your Premium for Health Insurance during the Plan Year, the Plan will automatically change the Premium contributions. For all other changes that you make to your Health Insurance, you will need to request that a corresponding election change be made to your Pre-Tax Premium. Only Qualifying Election Changes (see below) will be permitted. An election change permitted under the Health Insurance Coverage may not be permitted under this *Summary* or vice versa. While unlikely, it is possible for your Pre-Tax Premium Benefit to be less or more than your actual Premium payment amount due to an election change. If the Premium is more than the Pre-Tax Premium Benefit, you must pay the difference after-tax. If the Premium is less than the Pre-Tax Premium Benefit, you will forfeit the additional pre-tax payments made to your Account.

- (e) **Health Insurance Is Separate from this Plan.** The terms and conditions of the Health Insurance, including eligibility for coverage, the benefits provided and eligibility for benefits, are as stated in the plans or insurance policies for the Health Insurance and are not governed by this Plan.
- (f) **Company-Sponsored Health Insurance for Non-Tax Dependents.** Company-Sponsored Health Insurance provided to you and your eligible family members is generally not subject to federal wage and income tax. Coverage provided for your family member who does not satisfy the IRS requirements to be considered your “health care tax dependent,” however, is a taxable benefit. Your Employer is required to report to the IRS the fair market value of the coverage paid for by the Employer (or by you on a pre-tax basis) as taxable compensation on your W-2. When you enroll your family member in coverage and each time that you present your health plan card for services for the family member, you are certifying that your family member is your tax dependent for health care purposes. If your eligible family member is not your tax dependent, you must notify the Company’s Human Resources Department. If you do not know whether your family member qualifies as your tax dependent, you should consult a tax advisor (such as an accountant).

3. **ELIGIBLE EMPLOYEES**

Only Eligible Employees may participate. Refer to the *Plan Specifics* for details.

4. **DEPENDENTS**

- (a) For Premiums to be paid on a pre-tax basis, such expenses must be incurred by you for yourself or a family member who qualifies as your “Dependent.”
- (b) “Dependent” includes: (i) your spouse (who is of the opposite sex and to whom you are legally married); (ii) a person whom you can claim as a dependent on your federal income tax return; and (iii) a child whom you can claim as your health care tax dependent within the meaning of Code sections 105 or 106. This includes your son, daughter, stepson, stepdaughter or foster child who was under the age of 26 at the beginning of the calendar year.”

5. **ENROLLMENT**

If you elect Health Insurance, you will automatically be enrolled in the Pre-tax Premium Benefit (unless you opt out of Pre-tax Premium payment for the coverage).

6. **WHEN PARTICIPATION BEGINS**

Your participation begins on the Entry Date stated in the *Plan Specifics*.

7. **ELECTION CHANGES DURING THE PLAN YEAR**

- (a) **Qualifying Election Changes.** Your election for any Plan Year cannot be changed during the Plan Year unless you experience an Election Change Event and make an

election change that is on account of and consistent with the event (called a “Qualifying Election Change”). The Election Change Event must affect eligibility for your health insurance, your eligibility to participate in this Pre-tax Premium Account, or the eligibility of premiums for reimbursement (e.g. your child no longer qualifies as your tax dependent).

(b) **Examples.**

- (1) If the type of Health Insurance that you have changes because of your marriage, birth or adoption of a child, a corresponding increase to your Pre-Tax Premium Benefit will occur.
- (2) If you change your Health Insurance Coverage due to a divorce, because a child no longer qualifies as dependent, or a family member dies, a corresponding decrease to your Pre-Tax Premium Benefit will occur.
- (3) If your spouse or a Dependent starts or ends a job or increases or decreases his or her work hours and gains or loses eligibility for employer-sponsored health insurance and you change your Health Insurance as a result, you can make a corresponding increase or decrease to your Pre-Tax Premium.
- (4) If a child is enrolled in or dropped from Health Insurance due to a court order that requires you or another person to provide Health Insurance, a corresponding change can be made to your Pre-Tax Premium.
- (5) If you, your spouse or your Dependent gains or loses Medicare or Medicaid coverage and you change your Health Insurance as a result, a corresponding change can be made to your Pre-Tax Premium.
- (6) If you change your Health Insurance as a result of going on or returning from FMLA leave, a corresponding change can be made to your Pre-Tax Premium.
- (7) If there is a significant change in the cost or coverage of your Health Insurance and you change your Health Insurance election, a corresponding change can usually be made to your Pre-Tax Premium.
- (8) If a mid-year election change is made by your Spouse or Dependent under his or her health insurance or if your Spouse’s or Dependent’s employer’s plan has a different plan year or period of coverage than this Plan, you may make a corresponding election change to your Pre-Tax Premium.

- (c) **Time Limit for Making Election Change.** To change your election, you must request an election change no later than 30 days* after the Election Change Event (even if you are on leave at the time). You cannot change your election more than 30 days* after an Election Change Event.

*There are only two exceptions to the 30-day limit. The Children’s Health Insurance Program Reauthorization Act (CHIPRA) permits you to request an election change no

later than 60 days after the loss of your or your dependent's Medicaid or CHIP coverage because of loss of eligibility or within 60 days after the date you or your dependent becomes eligible for a premium assistance subsidy under Medicare or CHIP.

- (d) **Election Change Process.** The Plan Administrator will provide instructions for requesting an election change. The Plan Administrator will determine whether an election change is permitted.

8. **PARTICIPATION DURING A LEAVE OF ABSENCE**

Coverage will continue under this Plan during a leave of absence in accordance with the Company's leave policies and the terms and conditions of the Plan. If there is a conflict between the information provided in this section and the Company's leave policies, the Company's leave policies will control. Your leave must be approved by the Company.

You will be required to make your premium/contribution payments ("payments") for coverage to continue. If you do not make the required payment when due (including any grace period), the Company may retroactively terminate your coverage to the last day for which you have paid. Expenses incurred during the period for which your coverage is retroactively terminated will not be covered. The Company can recover any payments owed. Upon return to work, the payments owed will be taken from your pay.

Contact the Plan Administrator for coverage payment options.

- (a) **Paid Leave of Absence.** Your Pre-Tax Premium Benefit will automatically continue during a leave of absence as long as you continue to receive pay.
- (b) **Unpaid Leave of Absence.** Your right to continue group health plan coverage during unpaid leave depends on the type of leave. You should review the Company-Sponsored Health Insurance Summary Plan Description for the underlying details.
- (c) **Open Enrollment during Your Leave.** If the open enrollment period for the next Plan Year occurs during your leave and your participation in the Plan continues, you will be able to make elections for Plan benefits for the new Plan Year in the same manner as active employees. If you do not make a new election for your group health plan coverage, the election in effect for the prior Plan Year will continue.
- (d) **Making Election Changes on Return from Leave.** Election changes other than as noted in this section will not be permitted on return from leave unless you experience another Election Change Event and make the election change within 30 days of the event.

9. **CLAIMS AND APPEAL PROCEDURES**

- (a) **No Claims Submission Required.** Pre-tax Premiums will automatically be deducted from your paycheck before taxes are withheld and will be paid directly to the appropriate insurance company. You do not need to submit a claim for these

expenses.

- (b) **Written Request for Review.** If your premium is not paid, you have the right to request review. You must send a written request for an appeal review to the Plan Administrator within 180 days of the denial of your Pre-Tax Premium Benefit. Your request for review should include the specific reason(s) you believe the premium should have been paid pre-tax through the plan.
- (c) **Right to Review Documents/Submit Comments.** You have the right to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim. You may submit written comments, documents, records, and other information to the Plan Administrator and the information will be considered on review regardless of whether the information was submitted or considered in the initial claim determination.
- (d) **Notice of Continued Denial.** If the denial is upheld in whole or part, the Plan Administrator will notify you within 60 days after the Plan Administrator received your request for review. The notice will include the Plan Administrator's reason for its decision.

- (i). *Level Two Appeal Process.* Following the Level One Appeal Process, you have additional voluntary appeal rights through SelectAccount. If you are not satisfied with our decision, you may elect to further appeal to SelectAccount by sending a letter within 30 days or the later of your run out end date requesting our SelectAccount Corporate Appeals Committee to reconsider the decision. If you have terminated employment during the year or if you are unsure of your plan's run out end date please contact your group representative or our customer service department. You have the option to present your concerns to the SelectAccount Corporate Appeals Committee either in person or via telephone conference call. A written notification of the Committee's decision about your appeal will be sent within 30 days from the date your request is received.

You may elect this voluntary appeal (Level Two Appeal) only after you have submitted a Level One Appeal and that appeal has been denied. You are not required to submit a Level Two Appeal prior to bringing a claim in court (the plan will not assert that you failed to exhaust administrative remedies in not submitting to a Level Two Appeal). The six-month limitation period provided in the Plan Document within which you may bring a claim to court is tolled during the time that the Level Two Appeal is pending.

10. **FORFEITURE OF ACCOUNT BALANCE**

According to federal tax law, any amount remaining in your Pre-Tax Premium Accounts after the payment of eligible Premiums incurred during a Plan Year must be forfeited. Such forfeited amounts will be used by the Plan Administrator, in its discretion, to pay the cost of benefits under the Plan, for administrative costs of the Plan, or to provide additional benefits to participants.

11. **TERMINATION OF PARTICIPATION DUE TO TERMINATION OF EMPLOYMENT**

- (a) **When Participation Ends.** If your employment with the Company terminates, your participation in the Plan will end as of the date of your termination of employment.
- (b) **Health Insurance Coverage After Termination.** Health Insurance Premiums incurred after the date of your termination from employment cannot be paid on a pre-tax basis through this Plan.
- (c) **Employment by a Participating Employer.** If you terminate employment and are re-employed by a Participating Employer, you may participate in the Plan as indicated in the *Plan Specifics*.

12. *****OTHER REASONS FOR TERMINATION OF PARTICIPATION**

- (a) Your participation in this Plan can also end if:
 - (1) you no longer qualify as an Eligible Employee;
 - (2) your Employer stops participating in this Plan;
 - (3) you commit fraud or misrepresent your eligibility to participate or the eligibility of a claim for reimbursement under this Plan; or
 - (4) the Company terminates the Plan.
- (b) The rules discussed above for termination of participation as a result of termination of employment also apply if termination of participation occurs for other reasons.

13. **NOTICES**

- (a) **ERISA, HIPAA and COBRA Do Not Apply.** The Pre-Tax Premium Benefit is not an employee benefit plan within the meaning of ERISA and is not subject to ERISA, HIPAA or COBRA. The Company-Sponsored Health Insurance paid for on a pre-tax basis through this Plan, however, is subject to ERISA, HIPAA and COBRA. Please refer to the Company-Sponsored Health Insurance Summary Plan Description for your rights and responsibilities under those laws.

- (b) **Company's Right to Terminate or Amend the Plan.** The Company reserves the right to amend or terminate the Plan at any time and without notice.
- (c) **No Guarantee of Employment.** Participation in this Plan is not a guarantee of employment.
- (d) **Plan Administrator's Discretion.** The Plan Administrator (and persons to whom it has delegated powers, to the extent of such delegation) has total and complete discretionary authority with respect to administration and interpretation of the Plan. Benefits under the Plan will only be paid if the Plan Administrator decides in its discretion that a claimant is entitled to them.