

**ADOPTION AGREEMENT  
HEALTH REIMBURSEMENT PLAN**

The undersigned adopting employer hereby adopts this Plan. The Plan is intended to qualify as a health reimbursement arrangement under Code sections 106 and 105. The Plan shall consist of this Adoption Agreement, its related Basic Plan Document and any related Appendix and Addendum to the Adoption Agreement. Unless otherwise indicated, all Section references are to Sections in the Basic Plan Document.

**COMPANY INFORMATION**

1. Name of adopting employer (Plan Sponsor): \_\_\_\_\_
2. Address: \_\_\_\_\_
3. City: \_\_\_\_\_ 4. State: \_\_\_\_\_ 5. Zip: \_\_\_\_\_
6. Phone number: \_\_\_\_\_ 7. Fax number: \_\_\_\_\_
8. Plan Sponsor EIN: \_\_\_\_\_
9. Plan Sponsor fiscal year end: \_\_\_\_\_
- 10a. Plan Sponsor entity type:
  - i.  C Corporation
  - ii.  S Corporation
  - iii.  Non Profit Organization
  - iv.  Partnership
  - v.  Limited Liability Company
  - vi.  Limited Liability Partnership
  - vii.  Sole Proprietorship
  - viii.  Union
  - ix.  Government Agency
  - x.  Other: \_\_\_\_\_ (must be a legal entity recognized under the Code)
- 10b. If 10a.viii (Union) is selected, enter name of the representative of the parties who established or maintain the Plan: \_\_\_\_\_
11. State of organization of Plan Sponsor: \_\_\_\_\_
- 12a. The Plan Sponsor is a member of an affiliated service group:  
 Yes  No
- 12b. If 12a is "Yes", list all members of the group (other than the Plan Sponsor): \_\_\_\_\_
- 13a. The Plan Sponsor is a member of a controlled group:  
 Yes  No
- 13b. If 13a is "Yes", list all members of the group (other than the Plan Sponsor): \_\_\_\_\_

**PLAN INFORMATION**

**A. GENERAL INFORMATION**

1. **Plan Number:** \_\_\_\_\_
2. **Plan name:**
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
3. **Effective Date:**
- 3a. Original effective date of Plan: \_\_\_\_\_
- 3b. Is this a restatement of a previously-adopted plan:  
 Yes  No
- 3c. If A.3b is "Yes", effective date of Plan restatement: \_\_\_\_\_.  
**NOTE:** If A.3b is "No", the Effective Date shall be the date specified in A.3a, otherwise the date specified in A.3c; provided, however, that when a provision of the Plan states another effective date, such stated specific effective date shall apply as to that provision.
- 4a. **Plan Year** means each 12-consecutive month period ending on \_\_\_\_\_(e.g. December 31). If the Plan Year changes, any special provisions regarding a short Plan Year should be placed in the Addendum to the Adoption Agreement.
- 4b. The Plan has a short plan year:  
 Yes  No
- 4c. If A.4b is "Yes", the short plan year begins \_\_\_\_\_ and ends on \_\_\_\_\_.
5. Is the Plan Subject to ERISA?  
 Yes  No

**B. ELIGIBILITY**

**Other Company Benefit Plan**

- 1a. An Employee is eligible to participate in the Plan under the same terms and conditions as under the Company benefit plan(s) specified in **B.1b**:
- i.  Yes - without limitation
  - ii.  Yes - with limitations and modifications described in **B.1c**.
  - iii.  No
- 1b. If **B.1a** is not "No", enter name of other Company benefit plan(s): \_\_\_\_\_
- 1c. If **B.1a** is "Yes - with limitations and modifications", describe limitations and/or modifications: \_\_\_\_\_
- NOTE:** If **B.1a** is not "No", the remainder of Section **B** is disregarded.

#### Exclusions/Modifications

- If **B.1a** is "No", the term "Eligible Employee" shall not include (Check items **B.2 - B.6a** as appropriate):
2.  **Union.** Any Employee who is included in a unit of Employees covered by a collective bargaining agreement, if benefits were the subject of good faith bargaining, and if the collective bargaining agreement does not provide for participation in this Plan.
3.  Any **leased employee.**
4.  **Non-Resident Alien.** Any Employee who is a non-resident alien who received no earned income (within the meaning of Code section 911(d)(2)) which constitutes income from services performed within the United States (within the meaning of Code section 861(a)(3)).
5.  **Part-time.** Any Employee who is expected to work less than \_\_\_\_\_ hours per week.
- 6a.  **Other.** Other Employees described in **B.6b**.
- 6b. If **B.1a** is "No", and **B.6a** is selected, describe other Employees excluded from definition of Eligible Employee: \_\_\_\_\_.
- NOTE:** The Plan may not discriminate in favor of highly compensated employees (within the meaning of Code section 105(h)(5)) as to benefits provided or eligibility to participate.
- 7a. If **B.1a** is "No", allow immediate participation for all Eligible Employees employed on the date specified in **B.7b**:  
 Yes  No
- 7b. If **B.1a** is "No" and **B.7a** is "Yes", all Eligible Employees employed on \_\_\_\_\_ shall become eligible to participate in the Plan as of such date.
- 8a. If **B.1a** is "No", indicate whether the Plan will make any other revisions to the term "Eligible Employee":  
 Yes  No
- 8b. If **B.1a** is "No" and **B.8a** is "Yes", describe any further modifications to the term "Eligible Employee": \_\_\_\_\_.

#### Service Requirements

10. If **B.1a** is "No", minimum age requirement for an Eligible Employee to become eligible to be a Participant in the Plan:  
 \_\_\_\_\_
11. If **B.1a** is "No", minimum service requirement for an Eligible Employee to become eligible to be a Participant in the Plan:
- i.  None.
  - ii.  Completion of \_\_\_\_\_ hours of service.
  - iii.  Completion of \_\_\_\_\_ days of service.
  - iv.  Completion of \_\_\_\_\_ months of service.
  - v.  Completion of \_\_\_\_\_ years of service.
- 12a. If **B.1a** is "No", frequency of entry dates:
- i.  An Eligible Employee shall become a Participant in the Plan as soon as administratively feasible upon meeting the requirements of **B.10** and **B.11**.
  - ii.  first day of each calendar month.
  - iii.  first day of each plan quarter.
  - iv.  first day of the first month and seventh month of the Plan Year.
  - v.  first day of the Plan Year.
- 12b. If **B.1a** is "No" and **B.12.a.i** (immediate entry) is not selected, an Eligible Employee shall become a Participant in the Plan on the entry date selected in **B.12a** that is:
- i.  coincident with or next following
  - ii.  next following
- the date the requirements of **B.10** and **B.11** are met.
- 13a. If **B.1a** is "No", indicate whether the Plan will make any other revisions to the eligibility rules specified in **B.10 - B.12**:  
 Yes  No
- 13b. If **B.1a** is "No" and **B.13a** is "Yes", describe any further modifications to the eligibility rules specified in **B.10 - B.12**:  
 \_\_\_\_\_

#### Former Employees

- 15a. Permit Eligible Employees to participate in the Plan after Termination (Section 3.03; See item **C.10** to describe benefits available to former employees):
- i.  Yes - all Eligible Employees are eligible to participate in the Plan after Termination.
  - ii.  Yes - selected Eligible Employees are eligible to participate in the Plan after Termination.

iii.  No.

- 15b. If **B.15a** is "Yes - selected Eligible Employees are eligible to participate in the Plan after Termination", describe the Employees: \_\_\_\_\_.  
**NOTE:** The elections in **B.15** will apply irrespective of whether employees are eligible for or elect COBRA coverage.

### C. BENEFITS

#### Eligible Expenses

- 1a. Coverage under the Plan for Covered Persons is available for the following Eligible Expenses (Section 4.01):
- i.  **All allowable medical expenses.** All medical expenses that are excludable from income under Code section 105(b).
  - ii.  **Listed medical expenses.** All medical expenses that are listed on an appendix to the Adoption Agreement and that are excludable from income under Code section 105(b).
  - iii.  **Health plan deductibles.** Only health plan deductible amounts that are otherwise payable by the Participant under a Company-sponsored medical plan covering the Participant.
  - iv.  **Health plan coinsurance.** Only health plan coinsurance amounts that are otherwise payable by the Participant under a Company-sponsored medical plan covering the Participant.
  - v.  **Health plan deductibles and coinsurance.** Only health plan deductibles and coinsurance amounts that are otherwise payable by the Participant under a Company-sponsored medical plan covering the Participant.
  - vi.  **Schedule of expenses.** A schedule of allowable medical expenses under a Company-sponsored medical plan(s) (current or former) as provided in an appendix to the Adoption Agreement.

**NOTE:** If **C.1a.vi** is selected, the terms listed in the schedule of expenses shall be defined as provided in the relevant Company-sponsored medical plan.

**[NOTE: If C.1a.vi is selected, see the appendix of this Adoption Agreement to view how the schedule of benefits will appear in the Adoption Agreement. Checklist questions will be used to fill in the chart but these checklist questions will not appear in the Adoption Agreement]**

- 1b. If **C.1a** is "All allowable medical expenses", exclude coverage for over the counter drugs:

Yes  No

- 1c. Are there any other modifications to the definition of Eligible Expenses:

Yes  No

- 1d. If **C.1c** is "Yes", describe modifications to the definition of Eligible Expenses: \_\_\_\_\_.

**NOTE:** The modifications listed in **C.1d** may not be inconsistent with expenses that are excludable from income under Code section 105(b).

#### Covered Person

- 2a. The definition of Covered Person under the Plan shall include the following persons:

- i.  **Participant, spouse and dependents.** The Participant, his or her spouse and all dependents within the meaning of Code section 152 as modified by Code section 105(b).
- ii.  **Persons covered under Company medical plan.** The Participant, his or her spouse and all dependents within the meaning of Code section 152 as modified by Code section 105(b), but only if such persons are also covered under the Company-sponsored benefit plan specified in **C.2b**.
- iii.  **Other.** The persons described in **C.2c**.

- 2b. If **C.2a** is "Persons covered under Company medical plan", indicate the name of the Company-sponsored benefit plan:

\_\_\_\_\_.

- 2c. If **C.2a** is "Other", indicate the definition of Covered Person: \_\_\_\_\_.

**NOTE:** The definition in **C.2c** may not include anyone other than the Participant, his or her spouse and all dependents within the meaning of Code section 152 as modified by Code section 105(b).

**NOTE:** A few examples of how to fill out **C.3 - 5** as are provided in the HRA software help buttons:

**Example 1.** If **C.1a.i** is selected (All allowable medical expenses, a traditional HRA account) and each employee is provided with \$1,000 per year to use towards allowable medical expenses without a deductible, **C.3b.i** should be "\$1,000", **C.4** should be \$0 and **C.5** should be "100% of Eligible Expenses".

**Example 2.** If **C.1a.iv** is selected (Health plan deductibles) and the HRA pays the last \$750 of a \$1,000 plan deductible, **C.3b.i** should be "\$750", **C.4a** should be \$250 and **C.5** should be "100% of Eligible Expenses".

**Example 3.** If **C.1a.iv** is selected (Health plan deductibles) and the HRA pays 50 cents on the dollar of a \$2,000 plan deductible, **C.3b.i** should be "\$1000" (50% x 2,000), **C.4a** should be \$0, and **C.5** should be "50% of Eligible Expenses".

**Example 4.** If **C.1a.v** is selected (Health plan deductibles and coinsurance) and the HRA pays the last \$750 of a \$1,000 plan deductible, plus 50% of all coinsurance amounts under the plan, **C.4a** should be \$250 and **C.5** should be "100% of deductibles plus 50% of coinsurance amounts". **C.3b** could be filled out a number of different ways, depending on how much risk the Plan Sponsor wants to carry under the plan. A per Participant dollar amount could be specified (perhaps \$5,000 per Participant). In

the alternative, the maximum annual amount could be tied to the maximum coverage of the underlying health plan and the phrasing would depend on how the underlying health plan's maximum coverage is determined.

### Health Reimbursement Account - Maximum Benefit

3a. If **C.1a.vi** is selected are the maximum annual amounts specified in the schedule of benefits?

Yes  No

**NOTE:** If the maximum annual amount credited to a Participant's Health Reimbursement Account depends on the Company-sponsored benefit plan the Participant is enrolled in or the particular type of Eligible Expense, **C.1a.vi** (schedule of expenses) should be selected and **C.3a** should be "Yes" (the maximum annual amounts entered in the schedule of benefits apply to this Plan).

3b. Enter the maximum annual amount that will be credited to a Participant's Health Reimbursement Account in any Plan Year for the applicable coverage category (Section 4.01):

i. One Covered Person (Participant only): \_\_\_\_\_

ii. Two Covered Persons (Participant plus one other Covered Person): \_\_\_\_\_

iii. More than two Covered Persons (Family coverage): \_\_\_\_\_

**NOTE:** If the Plan only provides for a single coverage level for all Participants, enter that coverage level in **C.3b.i- C.3b.iii**.

**NOTE:** The maximum annual amount is determined after any deductibles and coinsurance are calculated. For example, if the HRA pays the last \$750 of a \$1,000 plan deductible (after the Participant pays \$250), **C.3b.i** should be "\$750".

### Health Reimbursement Account - Deductible

4. Enter the annual Health Reimbursement Account deductible in any Plan Year for the applicable coverage category:

a. One Covered Person (Participant only): \_\_\_\_\_

b. Two Covered Persons (Participant plus one other Covered Person): \_\_\_\_\_

c. More than two Covered Persons (Family coverage): \_\_\_\_\_

**NOTE:** If the Plan only provides for a single deductible for all Participants, enter that coverage level in **C.4a.- C.4c**.

**NOTE:** If the Participants are also covered by a Company-sponsored medical plan, enter the deductible that applies to this plan (the Health Reimbursement Plan), *not* the deductibles of the Company-sponsored plan. Any expenses covered by a Company-sponsored plan are not an Eligible Expense under this Plan (Section 4.01(c)).

**NOTE:** If **C.1a.vi** (schedule of benefits) is selected, enter 0 (zero) if no annual deductible applies before the schedule of benefits is implemented.

### Health Reimbursement Account - Coinsurance

5. If **C.1a.vi** is not selected, once the HRA deductible is met (if any), indicate the level of coverage provided under the HRA until the annual amount under **C.3** is met: \_\_\_\_\_ (for example, "50% of coinsurance/copayment amounts" or "100% of Eligible Expenses").

**NOTE:** If **C.5** is left blank, once the HRA deductible is met (if any), the Plan will provide coverage for 100% of Eligible Expenses until the annual amount under **C.3** is met, unless otherwise provided in the Adoption Agreement.

### Health Reimbursement Account - Procedures

6a. The amounts in **C.3** shall be credited to the Participant's Health Reimbursement Account at the following times:

i.  **Beginning of Plan Year.** The entire amount shall be credited at the beginning of the Plan Year.

ii.  **Semi annually.** One half of the amount shall be credited at the beginning of the Plan Year and on the first day of the seventh month of the Plan Year.

iii.  **Quarterly.** One fourth of the amount shall be credited at the beginning of each plan quarter.

iv.  **Monthly.** One twelfth of the amount shall be credited at the beginning of each calendar month during the Plan Year.

v.  **Claims dependent.** Accounts are credited and reimbursements are made as claims are made.

6b. If **C.6a.v** is not selected and a Participant enters the Plan at a time other than the beginning of a period described in **C.6a**, the amounts credited to the Participant's Health Reimbursement Account for such period shall be reduced to reflect the time of actual participation in the applicable period:

Yes  No

6c. If **C.6a.v** is not selected and if a change to the number of Covered Persons under **C.2** affects the amount(s) credited to the Health Reimbursement Account at times other than that selected in **C.6a**, contributions to the Participant's Health Reimbursement Account will be prorated to accommodate the change:

Yes  No - only future contributions affected

**NOTE:** If you select "Yes", this may result in a forfeiture from a Participant's Account, or, if amounts have been credited from a Participant's Account in excess of prorated amounts, future contributions may be discontinued until the correct contribution amount is attained.

7a. The Plan allows a carryover of the balance in a Participant's Health Reimbursement Account to the next Plan Year:

i.  Yes.

ii.  Yes - but limited to the dollar amount specified in **C.7b**.

iii.  Yes - but limited to the multiple specified in **C.7b** of the maximum annual benefit specified in **C.3**.

iv.  No.

7b. If C.7a is "Yes with limitations", enter the maximum dollar amount (or multiple of the maximum annual amount specified in C.3) that may be carried over to the next Plan Year: \_\_\_\_\_.

NOTE: Enter a percentage if C7a.iii is selected and the multiple is less than 1.

#### Coordination with Other Plans

8. Describe method to coordinate coverage in the Plan with a Health Care Reimbursement Account ("HCRA") in a Company-sponsored cafeteria plan for expenses that are reimbursable under both this Plan and the cafeteria plan (Section 6.01(e)):
- i.  **None.** Plan is not used in conjunction with a Company-sponsored HCRA.
  - ii.  **HRA first.** A Participant shall not be entitled to payment/reimbursement under the HCRA until the Participant has received his or her maximum reimbursement under the Plan.
  - iii.  **Cafeteria plan first.** A Participant shall not be entitled to payment/reimbursement under this Plan until the Participant has received his or her maximum reimbursement under the HCRA.
- 9a. Describe method to coordinate coverage in the Plan with Health Savings Accounts (Section 6.01(j)):
- i.  **None.** Coverage in the Plan is not limited or the Plan is not used in conjunction with a Health Savings Account.
  - ii.  **Permitted Coverage.** Coverage in the Plan is only provided for permitted insurance and other specified coverage (e.g., coverage for accidents, disability, dental care, vision care or preventive care within the meaning of Code section 223(c)(1), Rev. Rul. 2004-45 and Notice 2008-59).
  - iii.  **Post Deductible Coverage.** The Plan will not pay or reimburse any medical expense incurred before the minimum annual deductible under Code section 223(c)(2)(A)(i) is satisfied pursuant to Notice 2008-59.
  - iv.  **Both Permitted and Post Deductible Coverage.** Until the minimum annual deductible under Code section 223(c)(2)(A)(i) is satisfied, coverage in the Plan is only provided for permitted insurance and other specified coverage (e.g., coverage for accidents, disability, dental care, vision care or preventive care within the meaning of Code section 223(c)(1) and Rev. Rul. 2004-45). The Plan will pay or reimburse all medical expenses otherwise allowed by the Plan incurred after the minimum annual deductible under Code section 223(c)(2)(A)(i) is satisfied.
  - v.  **Suspended HRA.** A Participant may elect to forego coverage in the Plan except for permitted insurance and other specified coverage (e.g., coverage for accidents, disability, dental care, vision care or preventive care within the meaning of Code section 223(c)(1) and permitted by Rev. Rul. 2004-45).
- 9b. If C.9a is not "None", the limitations shall apply to:
- i.  All Participants.
  - ii.  Only Participants who are also eligible to participate in the high deductible health plan.
  - iii.  Only Participants who are also enrolled in the high deductible health plan.
- NOTE: If C.9a is "None" or C.9b is not "All Participants", eligibility for a Health Savings Account may be limited.

#### Former Employees

- 10a. If B.15a is "Yes" (Eligible Employees may participate in the Plan after Termination), select what benefits the Employees described in B.15 are eligible for after Termination:
- i.  Plan Year spend-down. Former employees may spend down the amount remaining in their Account through the end of the Plan Year or 90 days after Termination, whichever is later.
  - ii.  Other. As specified in C.10b.
- NOTE: If C.10a.i is selected, no new benefits will apply to Terminated participants. If you want to provide new benefits for Terminated Participants or other spend-down periods, select C.10a.ii and indicate what benefits Terminated Participants will receive and any restrictions on Eligible Expenses in C.10b.
- 10b. If C.10a.ii is selected, describe any unique Plan features that apply to the Employees described in B.15: \_\_\_\_\_.
- NOTE: The elections in C.10 will apply irrespective of whether employees are eligible for or elect COBRA coverage.
- NOTE: Unless otherwise specified in C.10b, Eligible Expenses, benefits and other Plan provisions will apply in the same manner to former employees as other Plan Participants.

#### D. PLAN OPERATIONS

##### Claims

1. Claims for reimbursement for an active Participant must be filed with the Plan Administrator (Section 6.01):
- i.  within \_\_\_\_\_ days following the last day of each Plan Year.
  - ii.  by \_\_\_\_\_.
- 2a. The Plan provides for an earlier deadline for claims submission for Terminated Participants:  
 Yes  No
- 2b. If D.2a is Yes, claims for reimbursement for a Terminated Participant must be filed with the Plan Administrator (Section 6.01):
- i.  within \_\_\_\_\_ days following Termination of employment.
  - ii.  by \_\_\_\_\_.
3. Indicate whether the Company will provide debit, credit, and/or other stored-value cards (Section 6.01(i)):  
 Yes  No

##### Plan Administrator

- 4a.** Designation of Plan Administrator (Section 7.01):
- i.**  Plan Sponsor
  - ii.**  Committee appointed by Plan Sponsor
  - iii.**  Other
- 4b.** If **D.4a.iii** is selected, Name of Plan Administrator: \_\_\_\_\_
- 5a.** Type of indemnification for the Plan Administrator (Section 7.02):
- i.**  None - the Company will not indemnify the Plan Administrator.
  - ii.**  Standard as provided in Section 7.02.
  - iii.**  Custom.
- 5b.** If **D.5a.iii** (Custom) is selected, indemnification for the Plan Administrator is provided pursuant to an Addendum to the Adoption Agreement.

**Other Provisions**

- 6a.** Indicate whether the Plan is subject to COBRA (Section 4.03(b)):  
 Yes  No
- 6b.** If **D.6a** is "Yes", enter the number of days within which a Participant must notify the Plan Administrator of certain qualifying events such as divorce or legal separation or a dependent child's losing coverage: \_\_\_\_\_ (60 days minimum).
- 7.** Indicate whether the Plan is subject to the HIPAA privacy rules (Section 7.03):  
 Yes  No
- 8.** Indicate whether the Plan is subject to the HIPAA portability rules (Section 7.05):  
 Yes  No
- 9.** Indicate whether the Plan is subject to FMLA (Section 4.03(a)):  
 Yes  No

**State Law Rules**

- 10a.** If **A.5** is "No" (non-ERISA Plan), is the Plan subject to other state law rules?  
 Yes  No
- 10b.** If **A.5** is "No" (non-ERISA Plan) and **D.10a** is "Yes", enter any State law rules that apply to the Plan: \_\_\_\_\_.

**E. EFFECTIVE DATES**

Use this Section to provide any effective dates for Plan provisions other than the Effective Date specified in **A.3**.

**F.      EXECUTION PAGE**

Failure to properly fill out the Adoption Agreement may result in the failure of the Plan to achieve its intended tax consequences.

The Plan shall consist of this Adoption Agreement, its related Basic Plan Document #HRA and any related Appendix and Addendum to the Adoption Agreement.

Additional participating employers may be specified in an addendum to the Adoption Agreement.

The undersigned agree to be bound by the terms of this Adoption Agreement and Basic Plan Document and acknowledge receipt of same. The Plan Sponsor caused this Plan to be executed this \_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_.

PLAN SPONSOR (COMPANY):

\_\_\_\_\_

