



Self- Administration Manual



Welcome

Dear Valued Customer:

Thank you for choosing DirectPay as Administrator of your Direct Reimbursement Self Administration Plan. We appreciate your business and look forward to servicing your Plan.

For the implementation of your DirectPay Direct Reimbursement Self Administration Plan, this packet includes a copy of your Administrative Procedures Checklist, along with an Summary Plan Description, a sample Enrollment Form, a sample claim Reimbursement Form and several COBRA Forms. Please take a moment to look through the manual and familiarize yourself with the forms and accompanying documents. The more you understand about your Direct Reimbursement Self Administration Plan, the easier it will be to maintain.

Thank you for allowing us the opportunity to administer your Direct Reimbursement Self Administration Plan. We are confident you will find the Plan to be efficient and worthwhile. Feel free to contact our Client Services Department (at 1-800-422-4661 or service@tasconline.com) for assistance or additional supplies.

Sincerely,

DirectPay Administration

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DirectPay

Introduction to DirectPay

As a DirectPay Client, you are participating in a benefit program that makes it easy to provide health benefits and to give your employees ultimate flexibility. The materials in this manual provide a comprehensive review of the program. We look forward to serving you.

What is DirectPay?

The DirectPay administration service is designed to assist employers with the necessary compliance and administration requirements of a Healthcare Reimbursement Account (HRA). The ever rising cost of healthcare is a major concern for most employers, who have, in response, begun to establish HRAs. HRAs allow employers to set aside a specific amount annually for employees use to pay for healthcare expenses. The Plan design is very flexible, allowing employers the ability to offer their employees a wide variety of eligible benefits and reimbursement structures.

DirectPay offers employers and employees a win-win situation when it comes to saving money.

As an added benefit, employers may choose to allow employees to roll over fund balances at the end of the Plan Year into the following year, thus helping employees prepare for higher-than-expected health expenses. This is called carry-over. Often coupled with a high deductible healthcare plan, an HRA allows employers to change their employee benefit package while still achieving their goals of lowering health insurance costs or maintaining costs at current levels.

DirectPay offers employers and employees a win-win situation when it comes to saving money. By offering DirectPay employers are able to realize a number of benefits including:

- **Savings**
By adjusting their health insurance coverage, implementation of a HRA can generate a savings in overall health benefits for the employer.
- **Better Consumers**
One key solution to the rising costs of health care is to put more choices in the hands of the consumers. By doing this, employees search for the most effective and cost efficient care.
- **Improved Employee Morale**
The amount the employer is spending on health care is visible and clear to employees.
- **Recruit and Retain Quality Employees**
An employer is viewed in a positive light by current and prospective employees because benefit package is being provided with the employee's interests in mind.

The DirectPay Self Administration package includes:

- An Administration Manual to instruct employers on Plan establishment and administration
- Administrative documents and forms, including:
 - Summary Plan Description
 - Sample Enrollment Forms
 - Sample Reimbursement Forms

In addition, DirectPay Self Administration Clients also receive:

- Toll-free technical support
- Electronic newsletters
- 30-day money back guarantee

How employees benefit from DirectPay:

- The Plan is 100 percent employer paid.
- All contributions to the Plan are received tax free by the employee.
- Employees have more control and become better health care consumers, thus saving everyone more money.
- More choices and more flexibility. You can customize the Plan according to employee needs.
- Reduction of their health care costs.
- Unused dollars can be carried-over from year-to-year (dependent upon Plan design).

Eligibility

A Health Reimbursement Arrangement allows certain employees to be excluded from participation in the Plan. The regulations under Section 105 state that employees may be excluded based on the number of hours worked per week, number of months worked per year, age, and a probationary period. An HRA can even allow for the Plan's eligibility requirements to be established in correspondence with the eligibility requirements for the employer's sponsored health insurance. Once eligibility is decided, all those eligible for the Plan must be given the opportunity to participate in the Plan.

Reimbursement Levels

Often referred to as tiers, Plan reimbursement levels must be established as part of the DirectPay Plan. Employers may wish to establish their DirectPay Plan with a first or second dollar coverage depending on their objectives. Employers are also given the flexibility to offer cost sharing between themselves and the employee for each reimbursement. For example, an employer may design a plan stipulating that for every claim reimbursed, the employer will reimburse the employee 80% of the claim amount, leaving the employee with an un-reimbursed amount of 20%.

An HRA can even allow for the Plan's eligibility requirements to be established in correspondence with the eligibility requirements from the employer's sponsored health insurance.

Carry Over Feature

Your DirectPay Plan allows unused account balances at the end of the Plan Year to be carried over and applied to the subsequent year. This feature is not a requirement of the Plan and the employer determines whether to elect and offer the feature.

It is important to remember that if you elect the Carry Over Feature, you must maintain unused account balances and Carry Over those funds into the next Plan Year for the employee to utilize.

Plan Enrollment

With the decision to implement a DirectPay Plan, employers must collect employee and dependent information for each DirectPay Participant. This is best accomplished by having the employees complete a DirectPay enrollment form. All eligible employees must return signed forms; this verifies that they were offered participation in the Plan and chose not to participate.

All eligible employees must return signed forms, this verifies that they were offered participation in the Plan and chose not to participate.

Employees not wishing to participate should merely sign and return the enrollment form.

During the Plan Year, as employees become eligible to participate in DirectPay it is recommended that they complete the enrollment form and forward it to the employer if they wish to enroll in the Plan or to opt out of the Plan.

Plan Design

Establishing the Plan Design

With a DirectPay Plan, employers have a variety of Plan design options available to them to design a Plan that will meet multiple objectives. Before implementing a DirectPay Plan employers must consider several features: determination of funds allocated to each employee, the time frame in which contributions are accumulated, carry over options, and coordination of benefits with the Section 125 Plan, if offered.

Employers have a variety of Plan designs options available to them to design a Plan that will meet multiple objectives.

Plan designs can vary widely based on the Employer's needs. Plans should be set up so that they are easy to understand by the Participants and easy to administer by the Employer.

Employee Portion

DirectPay Plans can be set up so that the employee pays a portion of the benefit prior to any employer reimbursement. For example, with a \$2,000 deductible health plan, the employee could be responsible for the first \$500 of their deductible, then the employer can reimburse all or a portion of the deductible balance.

Employer Reimbursement

Employers must decide when setting up the Plan design what amount they want to reimburse their employees for their health benefits. This could be 100 percent of eligible expenses or it could be a cost share percentage with the employee such as an 80 percent/20 percent split.

Employers can also set benefit tier levels. For example, with a \$2,000 deductible health plan, the Employer could reimburse 100 percent of the first \$1,000 in deductible expenses and 50 percent of the next \$1,000 in deductible expenses.

Benefit Types

Benefit Types

The following list of examples illustrates descriptions of various benefit plans. Your company's DirectPay Plan may consist of coverage for just one of these benefits or a combination of several.

Medical

- **Deductible, Co-pay and/or Co-insurance** - Only medical covered expenses of the named health insurance plan applied to the deductible, co-pay, and/or coinsurance are eligible for reimbursement.
- **Uninsured Medical Expenses** - Uninsured expenses pursuant to Internal Revenue Code (IRC) Section 213 coinciding with the expenses defined in the DirectPay Plan Document are eligible.
- **Health Insurance Premium** - Covered expenses include health premiums paid in full by the employee. Pre-tax premiums are not covered.

Various benefit types can be offered under a DirectPay Plan.

Dental - Only covered expenses of a dental nature are eligible. Cosmetic dentistry services are excluded.

Orthodontia - Only covered expenses of an orthodontic nature qualify for reimbursement. Cosmetic services are excluded. Plan can cover adult and child orthodontia expenses or child orthodontia expenses only based on the Plan design.

Vision - Expenses covered include vision expenses such as vision exams, glasses, and contact lenses.

Prescription Medication - Covered expenses may or may not apply to the health insurance plan. For an expense to be eligible, it must be a medication with a prescription from a licensed pharmacy.

Claim Adjudication

Employees may request a reimbursement whenever a qualifying expense has been incurred. The service related to the expense needs only to have taken place; it does not need to be paid before requesting reimbursement.

Qualified reimbursements are limited to:

- (a) eligible expenses incurred during the applicable Plan Year and pursuant to the Plan design
- (b) for eligible Plan Participants
- (c) for expenses not previously reimbursed under this or any other benefit Plan or claimed as an income tax deduction.

Employees may request a reimbursement any time a qualifying expense has been incurred.

It is recommended that employers require employees to include a receipt or explanation of benefit (EOB) when submitting a request for reimbursement. Employers are encouraged to verify the claim amount against the substantiation document to determine reimbursement eligibility.

It is important to provide Participants with a consistent tool for submission of eligible claims. A Request for Reimbursement Form is useful to collect all the information needed to process the claim. Included on the Form should be these fillable items:

- ✦ Participant Name
- ✦ Claimant Name
- ✦ Date of Service
- ✦ Amount of Claim Being Requested
- ✦ Participant's Signature

While Participants are ultimately responsible for ensuring the accuracy of their Reimbursement Requests and for substantiating their own claims, the Administrating Agent is responsible for Plan operation. A sample Request for Reimbursement Form is enclosed with this document.

Plan Renewal

Plan compliance is a critical part of the DirectPay service. Satisfactory employer compliance requires the employer to maintain a current Summary Plan Description (SPD) and to distribute that document to all participating employees. This must be done on an annual basis.

A necessary component of employer compliance is for the employer to maintain a current Summary Plan Description and distribute that document to all participating employees.

To ensure that your Plan is compliant, as a feature of the DirectPay service you will be delivered a current SPD each Plan Year. Collection of the necessary information to complete the SPD is accomplished in the Plan renewal process. Seventy-five days prior to the end of your Plan Year DirectPay will notify you that your renewal is coming up. You will be notified of the renewal with an e-mail renewal request. With the e-mail renewal request that you will receive, included will be an updated SPD for the upcoming Plan Year. If no changes to the Plan will be required, simply retain the new SPD for distribution to Plan Participants. If changes to the Plan are required, communicate those changes via e-mail to service@tasconline.com and we will send you an updated SPD. Once you receive the SPD please read the document for accuracy. If the document is as you wish, distribute the document to all DirectPay Participants. If the document does not reflect the Plan information that you desire, please contact DirectPay Client Services.

Plan Document

Your Section 105 Plan requires that a written Plan Document be in place. TASC maintains a prototype document for your Plan at our corporate office. Distribution to employees is not necessary. It may be necessary to change the Plan Document to reflect changes in the applicable code sections supporting the Plan.

Your Section 105 DirectPay Plan requires that a written Plan Document be in place.

Summary Plan Description (SPD)

The SPD that is included is required by the Employee Retirement Income Security Act (ERISA). Distribute this document to all employees participating in the Plan. The employer should keep a copy for their records. If there are any changes made to the plan parameters, these changes should be made to the SPD as well. It should then be re-distributed to all employees.

COBRA

DirectPay is subject to the Consolidated Omnibus Budget Reconciliation Act (COBRA) under which qualified individuals must be allowed continuation under the Plan upon circumstances relating to a qualified event. Included are sample forms for the employer's use. These forms allow the employer to notify the employee of their COBRA rights. Instructions on the use of the forms are included. It is the employer's responsibility to manage any COBRA communications and elections, if any. Premiums charged for continuation should be determined by the employer.

COBRA Employer Instructions

The Health Reimbursement Arrangement (HRA) is subject to COBRA continuation. Upon experiencing a qualified event the enclosed Notice of Right to Elect COBRA must be distributed to each employee and their dependents. Also included is the election form, should the employee choose to continue.

Qualifying Events

- (a) Termination of employment or reduction of work hours below the eligibility requirements
- (b) Death
- (c) Entitlement to Medicare benefits
- (d) Divorce or legal separation
- (e) Dependent ceasing to be a dependent

It is important that you provide each employee this notice. Please complete the employee information. A copy also must be provided to the spouse and any dependents, and could be mailed separately.

As the employer, it is important for you to know that although an employee may participate under the HRA via COBRA, they do so with no tax advantage. Regardless of this fact, employers are required by law to make it available. The operation of COBRA under a HRA Plan is similar to COBRA continuation for traditional health insurance. The monthly premium charged to the employee will equal their HRA contribution. The employer is allowed to add up to two percent beyond the base premium if they choose to cover administrative costs associated with COBRA. If the employee has not returned the election form, we assume that they are terminating participation in the HRA.

Form 5500

All companies with more than 100 employees which sponsor a Section

All companies with more than 100 employees which sponsor a Section 105 Plan are required by law to file Form 5500.

105 Plan are required by law to file Form 5500 with the Internal Revenue Service and the Department of Labor. Compliance is the Employer's responsibility and must be made by the last day of the seventh month after the plan year ends. Failure to file the annual return can result in penalties of \$25 per day, up to \$15,000. If you are required to prepare Form 5500, you may contact DirectPay Customer Support to address questions that arise.

HIPAA

As a result of the Health Insurance Portability and Accountability Act, employers who sponsor a health reimbursement plan are subject to regulations that ensure the privacy and confidentiality of employee health information. Within a few weeks you will receive a complete HIPAA Compliance Manual. Your DirectPay Plan is considered a Group Health Plan and therefore is subject to the HIPAA Certificate of Credible Coverage requirements. As the employer you must issue the certificate to any employee who discontinues participation in the Plan.

Sample DirectPay Enrollment Form

Group Name _____ Group # _____ Plan Year End _____

Employee Name _____ Social Security # _____

Address _____

City _____ State _____ ZIP _____

For Dependent Coverage:

Married? Yes No Dependent children? Yes No

If yes, list your spouse and dependent children below:

Last Name	First Name	Relationship to Employee	Date of Birth
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

AUTHORIZATION: I certify the above information to be true to the best of my knowledge and that the children for whom I will be claiming expenses either reside with me in a parent-child relationship or legally depend on me for their support. I understand that any amounts remaining in my account(s) not used for qualified expenses incurred during the Plan Year will be forfeited in accordance with current Plan provisions and tax laws.

Signature _____ Date _____

Sample Request for Reimbursement Form

Group Name _____ Group # _____ Plan Year End _____

Employee Name _____ Social Security # _____

Address _____

City _____ ST _____ ZIP _____

Check here if new address

For each claim line entered, all boxes must be completed.

Date of Service (not billing or paid date)

Month	Year	Claim Amount	Service Type (List Service Provider(s))	Name of Insured
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

To the best of my knowledge and belief, my statements in this Request for Reimbursement are complete and true. I am requesting reimbursement for eligible expenses incurred during the applicable Plan Year and for eligible Plan Participants. I certify that these expenses have not been reimbursed previously under this or any other benefit Plan and will not be claimed as an income tax deduction. In addition, if required by Plan design, I have depleted all available Flexible Spending Accounts before submitting this claim.

Employee Signature _____ Date _____

REIMBURSEMENT TIPS - To ensure prompt and accurate reimbursements.

- Include along with your Request for Reimbursement an Explanation of Benefits (EOB) Form or service receipts.
- Dates of Service always represents the date your services are incurred or rendered.
- Enter the amount requested for each claim in the Claim Amount box. One request form can be used for multiple expenses.
- Your signature is required on each Request for Reimbursement Form.

Notice of Right to Elect COBRA - Health Reimbursement Arrangement

Date of Notice _____

To: _____ From: _____
Employee Employer/Plan Sponsor

Address Phone Number

City, State, ZIP

Your participation in the Health Reimbursement Arrangement will terminate because you have experienced one of the following qualified events:

- a. Termination of employment or reduction of work hours below the eligibility requirements
- b. Death
- c. Entitlement to Medicare benefits
- d. Divorce or legal separation
- e. Dependent ceasing to be a dependent

Under a provision of the Consolidated Omnibus Budget Reconciliation Act of 1985, this qualifying event will entitle you, your spouse, and any dependent child(ren) to elect to continue coverage (COBRA) under the HRA until the end of the HRA Plan Year in which your qualifying event occurred.

To continue coverage, you must complete and submit the attached election form to the employer within 60 days of this notice. This same notice is being sent separately to your spouse (if any). However, only one of you needs to elect continuation coverage for the coverage to be implemented. Furthermore, because COBRA gives you the right to elect coverage independently, you, your spouse, or your dependent child(ren), if any, may elect single coverage and choose not to include those individuals who do not wish coverage.

The current premium due will equal the monthly contribution you make under the Plan plus any administrative fees that the employer may charge. This premium rate may change in the future.

A child who is born or placed for adoption with the covered employee during a period of COBRA coverage is automatically eligible as a qualified beneficiary. In accordance with terms of the HRA and the requirements of the federal law, these qualified beneficiaries can be added to COBRA coverage upon proper notification to the employer of the birth or adoption.

Health Reimbursement Arrangement COBRA Election Form

Date _____

Qualified Beneficiary Information

Employer Name: _____

Employee Name: _____ Social Security Number: _____

Address: _____

City: _____ State: _____ Zip: _____

Date of Birth: ____ / ____ / ____ Marital Status: Single Married

No. of Dependent Children: _____

Date of Hire: ____ / ____ / ____ Termination Date: ____ / ____ / ____

COBRA Effective Date: ____ / ____ / ____

Entitlement to COBRA Coverage

As explained in the Notice of Rights accompanying this form, you and your spouse and dependent child(ren), if any, could be entitled to continue HRA coverage under the company's HRA if a qualifying event occurs.

This qualifying event will result in the loss of HRA coverage unless you elect continuation coverage. If you wish to elect continuation coverage, please read and sign this form and return it to the address below as soon as possible.

If this election form is not returned within 60 days of the date of this notice, you will lose your right to elect coverage, and your coverage under the company's group health plan will terminate.

Continuation coverage under COBRA is provided subject to your eligibility. The Plan Administrator reserves the right to terminate your COBRA coverage retroactively if you are determined to be ineligible for coverage .

**IF YOU DO NOT RETURN THIS ELECTION FORM WITHIN 60 DAYS
YOU WILL LOSE YOUR RIGHT TO ELECT CONTINUATION COVERAGE.**

COBRA coverage may terminate early if:

- The required premium payment is not paid when due.
- After the date of the COBRA election, you and your spouse or dependent child(ren), if any, become covered under another group health plan that contain no exclusion or limitation for any of your pre-existing conditions.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) restricts the extent to which group health plans may impose pre-existing condition limitations. These rules are generally effective for plan years beginning after June 30, 1997.

HIPAA coordinates COBRA's other coverage cut-off rule with these new limits as follows. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA coverage cannot be terminated. However, if the other plan's pre-existing condition rule does not apply to you by reason of HIPAA's restrictions on preexisting clauses, the HRA may terminate your COBRA coverage if:

- After the date of your COBRA election, you, your spouse, or your dependent child(ren), if any, become entitled to Medicare benefits,
- All of the company's group health plans terminate.

Length of COBRA Coverage

You and your spouse and dependent child(ren), if any, are eligible for continuation coverage based on the type of your qualifying event. Termination and reduction of hours = 18 months COBRA continuation. Death, employee's Medicare entitlement, divorce, dependent child ceasing to be a dependent = 36 months COBRA continuation.

COBRA Coverage Premiums

Within 45 days after the date that you elect COBRA Coverage, you must pay an initial premium, which includes:

- The period of coverage from the date of your qualifying event to the date of your election.
- Any regularly scheduled monthly premium that becomes due between your election and the end of the 45-day period.

Once the Plan Administrator receives this election form, you will be notified of the initial premium amount that you must pay. *Your coverage will terminate if you fail to pay the initial premium, or any subsequent monthly premium, in a timely fashion.*

Premium payments are generally due on a schedule determined by the employer. You will be notified of any change in premium amount.

You are eligible for HRA coverage at the same level as was in effect immediately before the qualifying event. Unless you expressly elect otherwise, this level of coverage will be continued for you (and your spouse and child(ren), if any)

**IF PREMIUM PAYMENT IS NOT RECEIVED ON TIME,
COVERAGE WILL TERMINATE AND MAY NOT BE REINSTATED.**

COBRA Coverage Election Agreement

I have read this form and the notice of my election rights. I understand my rights to elect continuation coverage and would like to take the action indicated below. I understand that if I elect continuation coverage and I fail to pay any premium payment on time, this coverage will terminate. I also agree to notify the Plan Administrator if I or any member of my family become(s) covered under another group health plan or becomes entitled to Medicare after the date of COBRA election.

Please check ONE only.

I elect to continue HRA coverage under the plan.

List dependents to be covered:

<i>Relationship</i>	<i>Name</i>	<i>Date of Birth</i>
1) _____	_____	_____
2) _____	_____	_____
3) _____	_____	_____
4) _____	_____	_____

I have read this form and the Notice of Rights. I am waiving my right to continuation coverage under the HRA.

Signature: _____ Date: _____

Name (Please Print): _____

Address: _____

Telephone: (_____) _____

Request for Confidentiality

This DirectPay Direct Reimbursement Self Administration Plan Manual is proprietary confidential business property of DirectPay and may be used for the benefit of DirectPay Employers only.

Use of TASC Names and Trademarks

The use of TASC names and trademarks is strictly regulated. All use of the DirectPay name and trademark must be approved in writing, in advance, by TASC management. Unauthorized reproduction or use of the DirectPay name and trademark is forbidden.

Contacting DirectPay for Assistance

There are several ways you can contact the DirectPay Client Service Department for additional service.

Mail:	DirectPay 2302 International Lane Madison, WI 53704-3140
Phone:	1-800-422-4661 Monday-Friday, 8:00 a.m. - 5:00 p.m.
Fax:	1-608-663-2754
E-mail:	service@tasconline.com

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