LEE'S SUMMIT R-7 SCHOOL DISTRICT

HEALTH REIMBURSEMENT ARRANGEMENT PLAN

Effective January 1, 2020

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ARTICLE I.
INTRODUCTION

1.1. Establishment of Plan

Lee's Summit R-7 School District (the "District") established the Lee's Summit R-7 School District Health Reimbursement Arrangement Plan (the "Plan"), effective as of January 1, 2014. The Plan is hereby amended and restated as of January 1, 2020. Capitalized terms used in this Plan that are not otherwise defined shall have the meanings set forth in Article II.

This Plan is intended to permit an Eligible Employee to obtain reimbursement of Medical Expenses on a nontaxable basis from his or her HRA Account.

1.2. Legal Status

This Plan is intended to qualify as an employer-provided medical reimbursement plan under Sections 105 and 106 of the Internal Revenue Code of 1986, as amended (the "Code"), including the regulations issued thereunder, and as a health reimbursement arrangement ("HRA") as defined in IRS Notice 2002-45, and shall be interpreted to accomplish that objective. The Plan is also intended to be an "integrated HRA" (*i.e.*, the Plan is integrated with the Lee's Summit R-7 School District High Deductible Health Plan) with a "spend-down" feature (*i.e.*, employees who terminate employment may spend down their HRA Account balances on eligible Medical Expenses incurred during the remainder of that Plan Year).

The Medical Expenses reimbursed under the Plan are intended to be eligible for exclusion from Participants' gross income under Code Section 105(b).

ARTICLE II.
DEFINITIONS

2.1. Definitions

"Administrator" means the District; provided, however, that the District has delegated full authority to act on behalf of the Plan Administrator to its Benefits Committee.

"Benefits" means the reimbursement benefits for Medical Expenses described in Article VI.

"COBRA" means the continuation provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Code" means the Internal Revenue Code of 1986, as amended.

"Compensation" means the wages or salary paid to an Employee by the District.

“Covered Individual,” means, for purposes of Article VI, a Participant, Spouse, or Dependent.

“Dependent” means (a) any individual who is a Participant’s child, as defined in Code Section 152(f)(1), who has not attained age 26, and (b) any tax dependent of a Participant, as defined in Code Section 105(b) (including a domestic partner, if he or she so qualifies); provided, however, that any child to whom Code Section 152(e) applies (regarding a child of divorced parents, etc., where one or both parents have custody of the child for more than half of the calendar year and where the parents together provide more than half of the child’s support for the calendar year) shall be treated as a dependent of both parents.

“District” means Lee’s Summit R-7 School District and any Related Employer that adopts this Plan with the approval of Lee’s Summit R-7 School District.

“Effective Date” of this Plan means January 1, 2014. The changes made by this amendment and restatement of the Plan are effective as of January 1, 2020

“Electronic Protected Health Information” has the meaning described in 45 CFR Section 160.103 and generally includes Protected Health Information that is transmitted by electronic media or maintained in electronic media. Unless otherwise specifically noted, Electronic Protected Health Information shall not include enrollment/disenrollment information and summary health information.

“Eligible Employee” means an Employee who is eligible to participate in this Plan, as provided in Section 3.1.

“Employee” means any individual that the District classifies as a common-law employee and who is on the District’s W-2 payroll, but does not include the following: (a) any leased employee (including but not limited to those individuals defined as leased employees under Code Section 414(n)) or an individual classified by the District as a contract worker, independent contractor, temporary employee, or casual employee for the period during which such individual is so classified, whether or not any such individual is on the District’s W-2 payroll or is determined by the IRS or others to be a common-law employee of the District; (b) any individual who performs services for the District but who is paid by a temporary or other employment or staffing agency for the period during which such individual is paid by such agency, whether or not such individual is determined by the IRS or others to be a common-law employee of the District; (c) any employee covered under a collective bargaining agreement, unless that agreement calls for the employee’s participation in this Plan; or (d) any self-employed individual. The term “Employee” does include “former Employees” for the limited purpose of allowing continued eligibility for Benefits under the Plan in accordance with Section 3.2.

“Employment Commencement Date” means the first regularly-scheduled working day on which the Employee first performs an hour of service for the District for Compensation.

“FMLA” means the Family and Medical Leave Act of 1993, as amended.

“Health FSA” means a health flexible spending account, as described in Proposed Treasury Regulation Section 1.125-5.

"High Deductible Health Plan" (or "HDHP") means an option under the District's Health Plan that constitutes a "high deductible health plan," as defined in Code Section 223(c)(2).

"Highly Compensated Individual" means an individual defined in Code Section 105(h), as amended, as a "highly compensated individual" or "highly compensated employee."

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"HRA" means a health reimbursement arrangement, as defined in IRS Notice 2002-45.

"HRA Account" means the HRA Account described in Section 6.4.

"Limited HRA" has the meaning given in Section 4.2.

"Medical Expenses" has the meaning given in Section 6.2.

"Open Enrollment Period," with respect to a Plan Year, means the annual period for enrollment in the HDHP, or such other period as may be prescribed by the Administrator.

"Participant" means an individual who is an Eligible Employee and who is participating in this Plan in accordance with the provisions of Article III.

"Period of Coverage" means the Plan Year, with the following exceptions: (a) for Eligible Employees who first become Participants, it shall mean the portion of the Plan Year following the date participation commences, as described in Section 3.1; and (b) for Participants who terminate participation, it shall mean the portion of the Plan Year prior to the date participation terminates, as described in Section 3.2.

"Plan" means the Lee's Summit R-7 School District Health Reimbursement Arrangement Plan, as set forth herein and as amended from time to time.

"Plan Year" means the calendar year.

"Privacy Official" shall have the meaning described in 45 CFR Section 164.530(a).

"Protected Health Information" shall have the meaning described in 45 CFR Section 160.103 and generally includes individually identifiable health information held by, or on behalf of, the Plan.

"Related Employer" means any employer affiliated with the District that, under Code Section 414(b), (c), or (m), is treated as a single employer with the District for purposes of Code Section 105.

"Spouse" means an individual who is legally married to a Participant, as determined under applicable state law (and who is treated as a spouse under the Code).

"TPA" means the third-party administrator designated by the Administrator to assist with the day-to-day administration of the Plan.

"USERRA" means the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended.

ARTICLE III.
ELIGIBILITY AND PARTICIPATION

3.1. Eligibility to Participate

An individual is an Eligible Employee, and may therefore participate in this Plan, if the individual is

(a) An Employee;

(b) Enrolled in the High Deductible Health Plan; and

(c) Not eligible to contribute to a health savings account because he or she (or his or her Spouse) is covered under any other health plan described in Code Section 223(c)(1)(A)(ii).

Once an Employee becomes an Eligible Employee, the Eligible Employee's coverage under the Plan as a Participant will automatically commence (a) on the first day of the Plan Year, if such Eligible Employee enrolled in the HDHP during the Open Enrollment Period, or (b) on the date that such Eligible Employee first begins participating in the HDHP.

3.2. Termination of Participation

An individual will cease to be a Participant in this Plan upon the earlier of:

(a) The termination of this Plan; or

(b) The date on which the Participant's coverage under the High Deductible Health Plan (HDHP) ends as a result of no longer being an Eligible Employee (because of retirement, termination of employment, layoff, reduction in hours, or any other reason); provided, however, that such a former Participant may either:

(i) Continue to submit claims for reimbursement of Medical Expenses incurred during the remainder of that Plan Year, until his or her HRA Account balance is exhausted (in accordance with Subsection 6.7(a)); or

(ii) Elect COBRA coverage (in accordance with Subsection 6.7(b)).

3.3. FMLA and USERRA Leaves of Absence

Notwithstanding any provision in this Plan to the contrary, if a Participant goes on a qualifying leave under the FMLA or USERRA, then, to the extent required by the FMLA or USERRA, as applicable, the District will continue to maintain the Participant's Benefits on the same terms and conditions as if the Participant were still an active Eligible Employee.

3.4. Non-FMLA and Non-USERRA Leaves of Absence

If a Participant goes on a leave of absence that is not subject to the FMLA or USERRA, the Participant will be treated as having terminated participation, as described in Section 3.2.

ARTICLE IV.
ENROLLMENT, SUSPENSION, AND OPT-OUT

4.1. Enrollment When First Eligible

An Employee who first becomes an Eligible Employee by meeting the Plan's eligibility requirements under Section 3.1 will commence participation in this Plan on the first day of the calendar month as of which such eligibility requirements have been satisfied, provided that the Eligible Employee enrolls in the Plan within the specified enrollment period. Once the Eligible Employee is enrolled as a Participant, his or her participation will continue month-to-month and year-to-year until his or her participation ceases pursuant to Section 3.2. The enrollment process will provide a process to identify any Spouse and/or Dependents whose Medical Expenses may be submitted for reimbursement from the Participant's HRA Account. The Participant must promptly notify the Administrator if this information changes. (As provided in Subsection 6.2(b), expenses incurred by a Participant's Spouse or Dependents will constitute "Medical Expenses" only if they are incurred while the Spouse or Dependent is covered under the HDHP. An exception to this rule for "Limited HRAs" is set forth in Section 4.2.)

4.2. Election to Suspend HRA Account; Limited HRA

A Participant may elect to suspend his or her HRA Account for any future Plan Year, thereby converting it into a "Limited HRA," by submitting a Suspension Election Form to the Administrator before the beginning of that Plan Year. The Participant's suspension election will remain in effect for the entire Plan Year to which it applies (and may remain in effect for later Plan Years, if not revoked), and the Participant may not modify or revoke the election during that Plan Year. The Participant may revoke a suspension election for a Plan Year after the Plan Year to which it first applies, thereby causing his or her HRA to no longer be a Limited HRA, if the Participant remains covered under the HDHP and elects to have the District contribute to his or her HRA, rather than a health savings account. Any such revocation shall be made in accordance with procedures established by the Administrator.

For so long as a Participant's HRA remains a Limited HRA, the only Medical Expenses that may be reimbursed from that Limited HRA are dental and vision expenses. However, notwithstanding the usual requirement that a Participant's Spouse or Dependents be covered under the HDHP in order for their expenses to constitute Medical Expenses, this limitation shall not apply to their dental and vision expenses incurred while the Participant's HRA is a Limited HRA.

If a Participant suspends his or her HRA Account for a Plan Year, the District will not contribute to the HRA Account for that year. Instead, any District contributions will be made to the Employee's health savings account, if any. Medical Expenses incurred before the beginning

of the suspended Plan Year will be reimbursed during the suspended Plan Year, subject to the reimbursement procedures contained in Section 6.6, so long as no suspension election was in effect for the Plan Year in which such expenses were incurred.

4.3. Permanent Opt-Out from HRA Account

As of the first day of each Plan Year, and also on termination of employment, each Participant shall be given the opportunity to permanently opt out of and waive future reimbursements from his or her HRA Account. Upon making such an opt-out election, any remaining balance in the Participant's HRA Account shall be forfeited. Such an election might be made to allow the former Participant to claim a premium tax credit under Code Section 36B (i.e., upon purchasing health coverage through an Exchange).

ARTICLE V.
BENEFITS OFFERED AND METHOD OF FUNDING

5.1. Benefits Offered

When an Eligible Employee becomes a Participant in accordance with Article III, an HRA Account will be established for such Participant to provide Benefits in the form of reimbursement of Medical Expenses, as described in Article VI. In no event shall Benefits be provided in the form of cash or any other taxable or nontaxable benefit other than reimbursement of Medical Expenses.

5.2. District and Participant Contributions

(a) *District Contributions*. The District will fund the full amount of the HRA Accounts on a pay-period basis. Any District contributions will be in the amount determined by the District, in its sole discretion, and will be credited to the HRA Accounts on a monthly basis.

(b) *Participant Contributions*. There are no Participant contributions for Benefits under the Plan (except as required under any applicable continuation of coverage requirements).

(c) *No Funding Under Cafeteria Plan*. Under no circumstances will the Benefits be funded with salary reduction contributions, District contributions (*e.g.*, flex credits), or otherwise under a cafeteria plan.

5.3. Funding This Plan

All of the amounts payable under this Plan shall be paid from the general assets of the District. Nothing herein will be construed to require the District or the Administrator to maintain any fund or to segregate any amount for the benefit of any Participant, and no Participant or other

person shall have any claim against, right to, or security or other interest in any fund, HRA Account, or asset of the District from which any payment under this Plan may be made.

ARTICLE VI.
HEALTH REIMBURSEMENT BENEFITS

6.1. Benefits

The Plan will reimburse a Participant for Medical Expenses, up to the unused amount in such Participant's HRA Account, as set forth and adjusted under the reminder of this Article.

6.2. Eligible Medical Expenses

A Participant may receive reimbursement of Medical Expenses incurred during a Period of Coverage.

(a) *Incurred*. A Medical Expense is "incurred" at the time the medical care or service giving rise to the expense is furnished, and not when the individual incurring the expense is formally billed for, is charged for, or pays for the medical care. Medical Expenses incurred before a Participant first becomes covered by the Plan are not eligible for reimbursement.

(b) *Medical Expenses Generally*. "Medical Expenses" means expenses incurred by a Participant or his or her Spouse or Dependents for "medical care," as defined in Code Section 213 (including, for example, amounts for certain hospital bills, doctor and dental bills and both prescription and over-the-counter drugs), but shall not include the expenses described in subsection (c). Expenses incurred by a Participant's Spouse or Dependents shall constitute Medical Expenses for this purpose only if they are incurred while the Spouse or Dependent is covered under the HDHP. Reimbursements of Medical Expenses incurred by the Participant or the Participant's Spouse or Dependents (if eligible) shall be charged against the Participant's HRA Account.

(c) *Medical Expenses Exclusions*. "Medical Expenses" shall not include (1) health insurance premiums for individual policies or for any other group health plan (including the HDHP) or (2) the expenses listed as exclusions in Appendix A to this Plan.

(d) *Cannot Be Reimbursed or Reimbursable From Another Source*. Medical Expenses may be reimbursed from the Participant's HRA Account only to the extent that the Participant or other individual incurring the expense is not reimbursed for the expense (nor is the expense reimbursable) through the HDHP, other insurance, or any other accident or health plan. (However, see Section 6.9 for the coordination rule that applies if the other health plan is a Health FSA sponsored by the District.) If only a portion of a Medical Expense has been reimbursed or is reimbursable elsewhere (*e.g.*, because the HDHP imposes copayment or deductible limitations),

the HRA Account may reimburse the remaining portion of such expense if it otherwise meets the requirements of this Article VI.

6.3. Maximum Benefits

(a) *Maximum Benefits*. For each Plan Year, the maximum dollar amount that may be credited to an HRA Account for an Employee who participates in the Plan for an entire 12-month Period of Coverage shall be determined by the Administrator. That amount may be prorated for Employees who participate in the Plan for only a portion of a Period of Coverage. Certain unused amounts may be carried over to the next Period of Coverage, as provided in Section 6.5.

(b) *Changes*. For subsequent Plan Years, the maximum dollar limit may be changed by the Administrator and shall be communicated to Employees during Open Enrollment.

(c) *Nondiscrimination*. Reimbursements to Highly Compensated Individuals may be limited or treated as taxable compensation as necessary to comply with Code Section 105(h), as determined by the Administrator in its sole discretion.

6.4. Establishment of HRA Account

The Administrator will establish and maintain an HRA Account on behalf of each Participant. The HRA Account so established will be merely a recordkeeping Account, for the sole purpose of tracking contributions and available reimbursement amounts.

(a) *Crediting of HRA Account*. A Participant's HRA Account will be credited as of each pay day with an amount equal to the applicable maximum dollar limit for the Period of Coverage, divided by the number of pay periods in that Period of Coverage, increased by any carryover of unused HRA Account balances from prior Periods of Coverage.

(b) *Debiting of HRA Accounts*. A Participant's HRA Account will be debited during each Period of Coverage for any reimbursements of Medical Expenses incurred during that or any other prior Period of Coverage.

(c) *Available Amounts*. The amount available for reimbursement of Medical Expenses is the amount credited to the Participant's HRA Account under subsection (a), reduced by prior reimbursements debited under subsection (b), but in no event more than $4,999.

6.5. Carryover of HRA Accounts

If any balance remains in the Participant's HRA Account for a Period of Coverage after all reimbursements have been made for the Period of Coverage, such balance shall be carried over to reimburse the Participant for Medical Expenses incurred during a subsequent Period of Coverage, up to the overall dollar limit set forth in Subsection 6.4(c). The same rule shall apply while a Participant's HRA is a Limited HRA. However, if a Participant elects COBRA continuation

coverage in accordance with Subsection 6.7(b), then (1) upon termination of employment, such Participant's HRA Account balance shall be reduced to zero, and (2) any further Benefits shall be provided solely in accordance with Subsection 6.7(b).

6.6. Reimbursement Procedure

(a) *Timing*. Within 30 days after receipt by the Administrator of a reimbursement claim from a Participant, the Administrator will reimburse the Participant for the Participant's Medical Expenses (if the Administrator approves the claim), or the Administrator will notify the Participant that his or her claim has been denied. The 30-day time period may be extended for an additional 15 days for matters beyond the control of the Administrator, including in cases where a reimbursement claim is incomplete. The Administrator will provide written notice of any extension, including the reasons for the extension, and will allow the Participant 45 days in which to complete an incomplete reimbursement claim.

(b) *Claims Substantiation*. A Participant who seeks Benefits may apply for reimbursement by submitting an application in writing to the Administrator, in such form as the Administrator may prescribe, by no later than March 31 following the close of the Plan Year in which the Medical Expense was incurred, setting forth:

(i) The individual(s) on whose behalf Medical Expenses have been incurred;

(ii) The nature and date of the Medical Expenses so incurred;

(iii) The amount of the requested reimbursement; and

(iv) A statement that such Medical Expenses have not otherwise been reimbursed and are not reimbursable through any other source (other than a Health FSA sponsored by the District).

The application shall be accompanied by bills, invoices, or other statements from an independent third party (*e.g.*, a hospital, physician, or pharmacy) showing that the Medical Expenses have been incurred and the amounts of such Medical Expenses, together with any additional documentation that the Administrator may request. Except for the final reimbursement claim for a Period of Coverage, no claim for reimbursement may be made unless and until the aggregate claims for reimbursement total at least $25.

(c) *Claim Denials.* If a claim for reimbursement of a Medical Expense is wholly or partially denied, a Participant may appeal that denial in accordance with procedures similar to those set forth in Article II of the Lee's Summit R-7 School District Cafeteria Plan.

(d) *Debit and Credit (Stored Value) Cards*. Notwithstanding the foregoing, a Participant may, subject to any procedures established by the TPA, use a debit and/or credit (stored value) card ("Card"), provided by the TPA, to make payments from his or her HRA Account.

(i) When a Participant is issued a Card, he or she must certify that the Card will be used only for Medical Expenses. A Participant must also certify that any Medical Expense paid with the Card has not already been reimbursed by any other plan covering health benefits, and that he or she will not seek reimbursement from any other plan covering health benefits.

(ii) A Card will be used when a Participant first begins participating in the HRA Account, and then reissued for each Plan Year of continued participation. The Card will be automatically cancelled upon a Participant's death, termination of participation, or change in status that results in a Participant's withdrawal from the HRA Account.

(iii) The dollar amount of coverage available on the Card will be the then-current balance of the Participant's HRA Account.

(iv) The Card will be accepted only by the merchants and service providers that have been approved by the TPA.

(v) The Card may be used only for Medical Expenses incurred at merchants and providers approved by the TPA, including, but not limited to, the following:

(A) Co-payments for doctor or other medical care;

(B) Purchase of drugs (including over-the-counter drugs) or insulin; and

(C) Purchase of medical items such as eyeglasses, syringes, and crutches.

(vi) Purchases using the Card will be subject to substantiation by the TPA, usually by submission of a receipt from a service provider describing the service, the date, and the amount. The TPA will also follow the requirements set forth in Revenue Ruling 2003-43 and Notice 2006-69. All charges will be conditional pending confirmation and substantiation.

(vii) If a Card purchase is later determined by the TPA to not qualify as a Medical Expense, the TPA, in its discretion, will use one of the following correction methods to make the Plan whole:

(A) Repayment of the improper amount by the Participant;

(B) Asking the District to withhold the improper payment from a Participant's compensation, to the extent consistent with applicable federal or state law; or

(C) Claims substitution or offset of future claims until the amount is repaid.

If subsections (A) through (C) fail to recover the full amount, the District may treat the unrecovered amount as any other business indebtedness and the Participant may incur adverse tax consequences. Until the amount is repaid, the TPA will take action to ensure that further violations of the terms of the Card do not occur, up to and including denial of access to the Card.

6.7. Reimbursements After Termination; COBRA

(a) *Reimbursements After Termination*. When a Participant ceases to be a Participant under Section 3.2, no further contributions will be made to his or her HRA Account. However, the Participant will continue to be eligible to receive reimbursements for Medical Expenses incurred after his or her termination of participation and until the earlier of

(i) The last day of the Plan Year in which that termination occurs, or

(ii) The exhaustion of his or her HRA Account balance.

(b) *COBRA*. Notwithstanding any provision to the contrary in this Plan, to the extent required by COBRA, a Participant and his or her Spouse and Dependents whose coverage terminates under the HRA Account because of a COBRA qualifying event ("Qualified Beneficiaries") shall be given the opportunity to continue (on a self-pay basis) the same coverage that he or she had under the HRA Account on the day before the qualifying event for the periods prescribed by COBRA (subject to all conditions and limitations under COBRA). A premium for COBRA coverage shall be charged to Qualified Beneficiaries in such amounts, and shall be payable at such times, as are established by the Administrator and permitted by COBRA. At the end of each month in the Period of Coverage, Qualified Beneficiaries shall be credited with the monthly reimbursement accrual (*i.e.*, the maximum annual reimbursement amount, divided by the number of months in that Period of Coverage) that is made available to similarly-situated, non-COBRA beneficiaries, and any unused reimbursement amounts from the previous Period of Coverage shall be carried over to the next Period of Coverage (provided that the applicable premium is paid for that month). In the event that such coverage is modified for all similarly-situated, non-COBRA Participants, Qualified Beneficiaries shall be eligible to continue the same coverage that is provided to similarly-situated, non-COBRA Participants. This COBRA option shall be an alternative to the post-termination reimbursements described in Subsection 6.7(a), and any Participant who elects COBRA coverage shall have his or her HRA Account balance reduced to zero immediately upon ceasing to be a Participant.

6.8. Compliance With COBRA, HIPAA, etc.

Benefits shall be provided in compliance with COBRA, HIPAA, FMLA, USERRA, and other group health plan laws, to the extent required by such laws.

6.9. Coordination of Benefits; Medicare Secondary Payer Rules

Except as provided in the following paragraph, benefits under this Plan are solely intended to reimburse Medical Expenses not previously reimbursed or reimbursable elsewhere. To the extent that an otherwise eligible Medical Expense is payable or reimbursable from another source, that other source shall pay or reimburse prior to payment or reimbursement from this Plan; provided, however, that if a Participant's Medical Expenses are covered under both this Plan and a Health FSA sponsored by the District, then this Plan shall not be available for reimbursement of such Medical Expenses until after any amounts held in that Health FSA are used to make such reimbursement.

Notwithstanding the preceding paragraph, if a Participant, Spouse, or Dependent is entitled to Medicare benefits on account of either age or disability, this Plan shall be primary to those Medicare benefits. The same rule shall apply during the first 30 months of such an individual's entitlement to Medicare benefits on account of end-stage renal disease. Thereafter, the coordination rules set forth in the preceding paragraph shall apply.

ARTICLE VII.
HIPAA PRIVACY AND SECURITY

7.1. District's Certification of Compliance

The Plan shall not disclose Protected Health Information to the District unless the District certifies that the Plan document incorporates the provisions of 45 CFR Section 164.504(f)(2)(ii) and the District agrees to the conditions of disclosure set forth in this Article VII.

7.2. Permitted Disclosure of Enrollment/Disenrollment Information

The Plan may disclose to the District information as to whether an individual is a Participant in the Plan.

7.3. Permitted Uses and Disclosures of Summary Health Information

The Plan may disclose Summary Health Information to the District, provided that the District requests the Summary Health Information for the purpose of modifying, amending, or terminating the Plan.

"Summary Health Information" means information (a) that summarizes the claims history, claims expenses, or type of claims experienced by individuals for whom a plan sponsor had provided health benefits under a health plan; and (b) from which the information described at 42 CFR Section 164.514(b)(2)(i) has been deleted, except that the geographic information described in 42 CFR Section 164.514(b)(2)(i)(B) need only be aggregated to the level of a five- digit ZIP code.

7.4. Permitted and Required Uses and Disclosure of Protected Health Information for Plan Administration Purposes

Unless otherwise prohibited by law, the Plan may disclose a Covered Individual's Protected Health Information to the District, provided that the District will use or disclose such Protected Health Information only for Plan administration purposes. "Plan administration purposes" means administration functions performed by the District on behalf of the Plan, such as quality assurance, claims processing (including appeals), auditing, and monitoring. Plan administration functions do not include functions performed by the District in connection with any other benefit or benefit plan of the District, and they do not include any employment-related functions. Any disclosure to and use by the District of a Covered Individual's Protected Health Information will be subject to and consistent with the provisions of this Article VII (including, but not limited to, the restrictions on the District's use and disclosure described in Section 7.5) and the specifications and requirements of the administrative simplification provisions of HIPAA and its implementing regulations at 45 CFR Parts 160-64.

7.5. Restrictions on District's Use and Disclosure of Protected Health Information

(a) The District will neither use nor further disclose a Covered Individual's Protected Health Information, except as permitted or required by the Plan document, or as required by law.

(b) The District will ensure that any agent, including any subcontractor, to which it provides a Covered Individual's Protected Health Information or Electronic Protected Health Information received from the Plan, agrees to the restrictions, conditions, and security measures of the Plan document that apply to the District with respect to the Protected Health Information or Electronic Protected Health Information, respectively.

(c) The District will not use or disclose a Covered Individual's Protected Health Information for employment-related actions or decisions, or in connection with any other benefit or employee benefit plan of the District.

(d) The District will report to the Plan any use or disclosure of a Covered Individual's Protected Health Information that is inconsistent with the uses and disclosures allowed under the Plan document of which the District becomes aware.

(e) The District will make Protected Health Information available to the Plan or to the Covered Individual who is the subject of the information in accordance with 45 CFR Section 164.524.

(f) The District will make a Covered Individual's Protected Health Information available for amendment, and will on notice amend a Covered Individual's Protected Health Information, in accordance with 45 CFR Section 164.526.

(g) The District will track disclosures it may make of a Covered Individual's Protected Health Information that are HRA Accountable under 45 CFR Section so that it can

make available the information required for the Plan to provide an HRA Accounting of disclosures in accordance with 45 CFR Section 164.528.

(h) The District will make its internal practices, books, and records relating to its use and disclosure of a Covered Individual's Protected Health Information received from the Plan available to the Plan and to the U.S. Department of Health and Human Services to determine compliance with the HIPAA Privacy Rule at 45 CFR Part 164, Subpart E.

(i) The District will, if feasible, return or destroy all Protected Health Information of a Covered Individual, in whatever form or medium, received from the Plan, including all copies thereof and all data, compilations, or other works derived therefrom that allow identification of any Covered Individual who is the subject of the Protected Health Information, when the Covered Individual's Protected Health Information is no longer needed for the Plan administration functions for which the disclosure was made. If it is not feasible to return or destroy all such Protected Health Information, the District will limit the use or disclosure of any Covered Individual's Protected Health Information that cannot feasibly be returned or destroyed to those purposes that make the return or destruction of the information infeasible.

(j) The District will ensure that the adequate separation between the Plan and the District (*i.e.*, the "firewall"), required by 45 CFR Section 504(f)(2)(iii), is satisfied.

7.6. Adequate Separation Between the District and the Plan

(a) Only the following employees or classes of employees or other workforce members under the control of the District may be given access to a Covered Individual's Protected Health Information or Electronic Protected Health Information received from the Plan or a business associate servicing the Plan:

(i) The Privacy Official;

(ii) Employees in the District's Business Services Department;

(iii) Employees in the District's Office of General Counsel; and

(iv) Any other class of employees designated in writing by the Privacy Official.

(b) The employees, classes of employees, or other workforce members identified in Section 7.6(a) will have access to a Covered Individual's Protected Health Information or Electronic Protected Health Information only to perform the Plan administration functions that the District provides for the Plan, as specified in Section 7.4.

(c) The employees, classes of employees, or other workforce members identified in Section 7.6(a) will be subject to disciplinary action and sanctions pursuant to the District's employee discipline and termination procedures, for any use or disclosure of a Covered Individual's Protected Health Information or Electronic Protected

Health Information in breach or violation of or noncompliance with the provisions of this Article VII.

7.7. Security Measures for Electronic Protected Health Information

The District will implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of a Covered Individual's Electronic Protected Health Information that the District creates, receives, maintains, or transmits on the Plan's behalf.

7.8. Notification of Security Incident

The District will report to the Plan any attempted or successful unauthorized access, use, disclosure, modification, or destruction of information, or interference with system operations in the District's information systems, of which the District becomes aware.

ARTICLE VIII.
RECORDKEEPING AND ADMINISTRATION

8.1. Administrator

The administration of this Plan shall be under the supervision of the Administrator. It is the principal duty of the Administrator to see that this Plan is carried out, in accordance with its terms, for the exclusive benefit of persons entitled to participate in this Plan without discrimination among them.

8.2. Powers of the Administrator

The Administrator shall have such duties and powers as it considers necessary or appropriate to discharge its duties. It shall have the exclusive right to interpret the Plan and to decide all matters thereunder, and all determinations of the Administrator with respect to any matter hereunder shall be conclusive and binding on all persons. Without limiting the generality of the foregoing, the Administrator shall have the following discretionary authority:

(a) To construe and interpret this Plan, including all possible ambiguities, inconsistencies, and omissions in the Plan and related documents, and to decide all questions of fact, questions relating to eligibility and participation, and questions of Benefits under this Plan;

(b) To prescribe procedures to be followed and the forms to be used by Employees and Participants to enroll in and submit claims pursuant to this Plan;

(c) To prepare and distribute information explaining this Plan and the Benefits under this Plan in such manner as the Administrator determines to be appropriate;

(d) To request and receive from all Employees and Participants such information as the Administrator shall from time to time determine to be necessary for the proper administration of this Plan;

(e) To furnish each Employee and Participant with such reports with respect to the administration of this Plan as the Administrator determines to be reasonable and appropriate;

(f) To receive, review, and keep on file such reports and information concerning the Benefits covered by this Plan as the Administrator determines from time to time to be necessary and proper;

(g) To appoint and employ such individuals or entities to assist in the administration of this Plan as it determines to be necessary or advisable, including legal counsel and benefit consultants;

(h) To sign documents for the purposes of administering this Plan, or to designate an individual or individuals to sign documents for the purposes of administering this Plan;

(i) To secure independent medical or other advice and require such evidence as it deems necessary to decide any claim or appeal; and

(j) To maintain the books of accounts, records, and other data in the manner necessary for proper administration of this Plan and to meet any applicable disclosure and reporting requirements.

8.3. Reliance on Participant, Tables, Etc.

The Administrator may rely upon the information submitted by a Participant as being proper under the Plan and shall not be responsible for any act or failure to act because of a direction or lack of direction by a Participant. The Administrator will also be entitled, to the extent permitted by law, to rely conclusively on all tables, valuations, certificates, opinions and reports that are furnished by accountants, attorneys, or other experts employed or engaged by the Administrator.

8.4. Provision for Third-Party Plan Service Providers

The Administrator, subject to approval of the District, may employ the services of such persons as it may deem necessary or desirable in connection with the operation of the Plan. Unless otherwise provided in the service agreement, obligations under this Plan shall remain the obligation of the District.

8.5. Fiduciary Liability

To the extent permitted by law, the Administrator shall not incur any liability for any acts of for failure to act except for the Administrator's own willful misconduct or willful breach of this Plan.

8.6. Compensation of Administrator

Unless otherwise determined by the District and permitted by law, any Administrator who is also an Employee of the District shall serve without compensation for services rendered in such capacity, but all reasonable expenses incurred in the performance of the Administrator's duties shall be paid by the District.

8.7. Insurance Contracts

The District shall have the right (a) to enter into a contract with one or more insurance companies for the purposes of providing any Benefits under the Plan; and (b) to replace any of such insurance companies or contracts. Any dividends, retroactive rate adjustments, or other refunds of any type that may become payable under any such insurance contract shall not be assets of the Plan but shall be the property of, and be retained by, the District, to the extent that such amounts are less than aggregate District contributions toward such insurance.

8.8. Inability to Locate Payee

If the Administrator is unable to make payment to any Participant or other person to whom a payment is due under the Plan because it cannot ascertain the identity or whereabouts of such Participant or other person after reasonable efforts have been made to identify or locate such person, then such payment and all subsequent payments otherwise due to such Participant or other person shall be forfeited following a reasonable time after the date that any such payment first became due. The determination of "reasonable time" shall be made by the Administrator in its sole discretion.

8.9. Effect of Mistake

In the event of a mistake as to the eligibility or participation of an Employee, or the allocations made to the HRA Account of any Participant, or the amount of Benefits paid or to be paid to a Participant or other person, the Administrator shall, to the extent that it deems administratively possible and otherwise permissible under Code Section 105, the regulations issued thereunder or other applicable law, cause to be allocated or cause to be withheld or accelerated, or otherwise make adjustment of, such amounts as it will in its judgment accord to such Participant or other person the amounts or distributions to which he or she is properly entitled under the Plan. Such action by the Administrator may include withholding of any amounts due to the Plan or the District from Compensation paid by the District.

ARTICLE IX.
GENERAL PROVISIONS

9.1. Expenses

All reasonable expenses incurred in administering the Plan shall be paid out of forfeitures, if any, and then by the District.

9.2. No Contract of Employment

Nothing herein contained is intended to be or shall be construed as constituting a contract or other arrangement between any Employee and the District to the effect that such Employee will be employed for any specific period of time.

9.3. Amendment and Termination

This Plan has been established with the intent of being maintained for an indefinite period of time. Nonetheless, the District may amend or terminate all or any part of this Plan at any time for any reason, by action of the District's Superintendent or by any person or persons authorized by the Superintendent to take such action, and any such amendment or termination will automatically apply to any Related Employers that are participating in the Plan.

9.4. Governing Law

This Plan shall be construed, administered, and enforced according to the laws of the State of Missouri, to the extent not superseded by any federal law.

9.5. Compliance with Internal Revenue Code

It is intended that this Plan meet all applicable requirements of the Code and of all regulations issued thereunder. This Plan shall be construed, operated, and administered accordingly. In the event of any conflict between any part, clause, or provision of this Plan and the Code, the provisions of the Code shall be deemed controlling, and any conflicting part, clause, or provision of this Plan shall be deemed superseded to the extent of the conflict.

9.6. No Guarantee of Tax Consequences

Neither the Administrator nor the District makes any commitment or guarantee that any amounts paid to or for the benefit of a Participant under this Plan will be excludable from the Participant's gross income for federal, state, or local income tax purposes. It shall be the obligation of each Participant to determine whether each payment under this Plan is excludable from the Participant's gross income for federal, state, and local income tax purposes and to notify the Administrator if the Participant has any reason to believe that such payment is not so excludable.

9.7. Indemnification of District

If any Participant receives one or more payments or reimbursements under this Plan on a tax-free basis, and such payments do not qualify for such treatment under the Code, such Participant shall indemnify and reimburse the District for any liability it may incur for failure to withhold federal income taxes, Social Security taxes, or other taxes from such payments or reimbursements.

9.8. Non-Assignability of Rights

The right of any Participant to receive any reimbursement under this Plan shall not be alienable by the Participant by assignment or any other method and shall not be subject to claims

by the Participant's creditors by any process whatsoever. Any attempt to cause such right to be so subjected will not be recognized, except to such extent as may be required by law.

9.9. Headings

The headings of the various Articles and Sections are inserted for convenience of reference only and are not to be regarded as part of this Plan or as indicating or controlling the meaning or construction of any provision.

9.10. Plan Provisions Controlling

In the event that the terms or provisions of any summary or description of this Plan, or of any other instrument, are interpreted as being in conflict with the provisions of this Plan as set forth in this document, the provisions of this Plan shall be controlling.

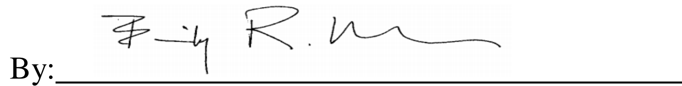
9.11. Severability

Should any part of this Plan subsequently be invalidated by a court of competent jurisdiction, the remainder of the Plan shall be given effect to the maximum extent possible.

* * * * *

IN WITNESS WHEREOF, and as conclusive evidence of the adoption of the foregoing instrument comprising the Lee's Summit R-7 School District Health Reimbursement Arrangement Plan, Lee's Summit R-7 School District has caused this Plan to be executed in its name and on its behalf this 19th day of December, 2013, with subsequent restatements approved on the 18th day of December, 2014; the 19th day of February, 2015; the 19th day of November, 2015; the 15th day of December, 2016; the 14th day of December, 2017; and the 17th day of April 2020.

Lee's Summit R-7 School District



By:______________________________

Its: Interim Superintendent

APPENDIX A

EXCLUSIONS: MEDICAL EXPENSES THAT ARE NOT REIMBURSABLE FROM AN HRA ACCOUNT

The Lee's Summit R-7 School District Health Reimbursement Account Plan document contains the general rules governing what Medical Expenses are reimbursable. *The following expenses are not reimbursable* even if they meet the definition of "medical care" under Code Section 213(d) and may otherwise be reimbursable under IRS guidance pertaining to HRAs:

- Health insurance premiums under any other plan (including the HDHP).
- Any expense that the HDHP would not cover if the HDHP's deductible, co-pay, and similar limits did not apply.
- Long-term care services.
- Cosmetic surgery or other similar procedures, unless the surgery or procedure is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease. "Cosmetic surgery" means any procedure that is directed at improving the patient's appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or disease.
- The salary expense of a nurse to care for a healthy newborn at home.
- Funeral and burial expenses.
- Household and domestic help (even though recommended by a qualified physician due to an Employee's, Spouse's, or Dependent's inability to perform physical housework).
- Custodial care.
- Costs for sending a problem child to a special school for benefits that the child may receive from the course of study and disciplinary methods.
- Social activities, such as dance lessons (even though recommended by a physician for general health improvement).
- Bottled water.
- Cosmetics, toiletries, toothpaste, etc.
- Uniforms or special clothing, such as maternity clothing.
- Automobile insurance premiums.

- Transportation expenses <u>except for</u> the following: (1) transportation expenses for a parent who must go with a child who needs medical care, (2) transportation expenses for a nurse or other person who gives injections, medications, or other treatment required by a patient who is traveling to get medical care and is unable to travel alone, and (3) transportation expenses for an individual who travels to visit a mentally ill dependent, if such visits are recommended as part of treatment.
- Marijuana and other controlled substances that are in violation of federal laws, even if prescribed by a physician.
- Any item that does not constitute "medical care" as defined under Code Section 213(d).