

NOTES CONCERNING SAMPLE MEDICAL EXPENSE REIMBURSEMENT PLAN:

In order to qualify as a legitimate medical expense reimbursement plan, the plan must meet several specific I.R.S. requirements. With the exception of the items listed below, the sample plan language must not be changed in any significant way. Adoption of the plan must be recorded in the governing board's minutes. ***Changes for 2014 are indicated in italics.***

Section 2: You may select your own starting date. If the plan starts on a date other than January 1, the first year will be a partial year and will still end on December 31. Note that the plan operates on a calendar year based on the date of medical service.

Section 3: ***You may not offer this plan unless all full-time employees are also covered under either the Portico medical plan or other group coverage plan through a family member (such as spouse's employer).*** You may cover part-time employees if you wish, ***as long as they are covered under the Portico plan.*** However, the dollar amount of coverage must be the same for all covered employees.

Section 4: Participation may be limited to employees who have reached a minimum age, or have been employees for a minimum length of time. To exclude the maximum number of employees, insert "25" years old and "3" years of continuous employment. You may choose smaller numbers than 25 / 3, or eliminate the age and service requirement altogether. (Suggestion: Be sure that the service requirement is not higher than the number of years the pastor has served the congregation!)

Section 5: ***Employees must be provided the opportunity annually to permanently opt out of this plan.***

Section 6: Note that the items which can be reimbursed include any qualified medical expenses not paid by the Portico primary health insurance plan--all deductibles, co-payments, expenses that "exceed ordinary and unnecessary", and items not covered (glasses, etc.). ***Cost of medical insurance for essential health benefits cannot be reimbursed under this plan. Medical expenses for children under age 27 (at the end of the year) may be reimbursed even if those children are not dependents.***

Section 7: You may select the amount of annual coverage. Note that the coverage must be the same for all eligible employees. Also note that any unused balance may be carried over for reimbursement in subsequent calendar years (see Section 9).

Section 8: Reimbursement is only available for medical expenses not covered by the primary employer medical plan; in most cases, this means that the expenses must be submitted to Portico or other primary health plan for reimbursement first, then any unpaid balance subsequently submitted to the congregation's medical expense reimbursement plan.

SAMPLE MEDICAL EXPENSE REIMBURSEMENT PLAN

1. PURPOSE

The purpose of this plan is to encourage and help provide full and complete medical care for each participating employee and his/her spouse, dependents, and children. It is the intention of the congregation that this plan qualify as an accident and health plan within the meaning of Section 105(e) of the Internal Revenue Code of 1986, as amended ("the Code"), and that the benefits payable under the plan be eligible for exclusion from gross income under Section 105(b) of the Code.

2. EFFECTIVE DATE

The effective date of this plan shall be January 1, _____. The records of the plan shall be kept on a calendar year basis.

3. ELIGIBILITY

All full-time employees of the congregation shall be eligible to participate in this plan, and must simultaneously be covered under the Portico group medical plan or other group medical plan through a family member. A full-time employee is defined as any employee who customarily works forty hours or more per week and seven months or more per year.

4. PARTICIPATION

Each employee who is eligible to participate in the plan under Section 3 (an "eligible employee") shall become a participant in the plan ("a participant") on the effective date of the plan if on the effective date he/she is at least _____ years old and has completed at least _____ years of continuous employment with the congregation. Each other eligible employee shall become a participant on the first day of the month after he/she has both attained age _____ and completed at least _____ years of continuous employment with the congregation. A participant who is discharged from employment with the congregation for cause shall forfeit all rights to reimbursement under this plan.

5. OPT OUT PROVISION

Each eligible participant is permitted to permanently opt out of and waive future reimbursements from the plan during the period of January 1 – January 15 of each year.

6. BENEFITS

The congregation shall pay to each participant such amounts as he/she has expended while a participant for medical care for himself/herself, his/her spouse, his/her dependents, and his/her children under age 27 at the end of the plan year. It is not necessary that such amounts be related to or arise out of employment with the congregation. Amounts expended for medical care mean amounts for (a) hospitalization, medical and dental bills, prescription drugs and eyeglasses; (b) transportation primarily for and essential to medical care; and (c) all other expenses that are considered to be for medical care as that term is used in Section 213(d) of the Code. Dependent means a dependent as defined in Section 152 of the Code. A participant shall be entitled to benefits under this plan only for expenses for medical care incurred after becoming a participant in the plan.

7. LIMITATION AND FUNDING

No participant shall be entitled to receive more than \$_____ in reimbursements under this plan for any calendar year. All amounts payable under this plan shall be funded by the congregation. Participant contributions or voluntary salary reduction contributions for benefits are not permitted under this plan.

8. BENEFITS FROM ANOTHER SOURCE

Reimbursement under this plan shall be made only in the event and to the extent that reimbursement for amounts expended, or payment, for medical care is not provided for under any insurance policy or under any other plan (including the Portico group medical plan) of the congregation or another employer or under any federal or state law. In the event that there is such a policy, plan or law in effect providing for such reimbursement or payment in whole or in part, then to the extent of the coverage under such policy, plan or law, the congregation shall be relieved of any and all liability hereunder.

9. CARRYOVER OF UNUSED BALANCE

If the reimbursements made with respect to any participant for any one calendar year are less than the limitation amount specified in Section 7 hereof, the balance payable under Section 7 may be carried forward to pay additional benefits in a future year.

10. FORFEITURE OF UNUSED BALANCE

In the event that a participant ceases to be an employee, any unused balance shall remain the property of the congregation, and the participant shall forfeit all rights with respect to such balance.

11. CLAIM PROCEDURE

Each participant shall submit not later than sixty (60) days after the end of each calendar year quarter a request for reimbursement for medical expenses incurred by him/her during the preceding quarter, together with such evidence of payment of such expenses as shall be required by the congregation in accordance with rules

uniformly applied. It is not necessary that the participant actually pay an expense prior to being reimbursed for it under the plan. If a participant requests reimbursement for an expense not yet paid, he/she shall submit a copy of the bill along with his/her request for reimbursement. The congregation will then make payments to the participant or directly to the billing party, as the participant may direct.

12. REVIEW PROCEDURE

If any claim for benefits under this plan is denied in whole or in part, the claimant shall be furnished promptly by the congregation with a written notice (a) setting forth the reason for the denial, (b) making reference to pertinent Plan provisions, (c) describing any additional material or information from the claimant which is necessary and why, and (d) explaining the claim review procedure set forth herein. Failure by the congregation to respond to a claim within a reasonable time shall be deemed a denial. Within sixty (60) days after denial of any claim for benefits under this plan, the claimant may request in writing a review of the denial by the president of the congregation. Any claimant seeking review hereunder is entitled to examine all pertinent documents, and to submit issues and comments in writing. The president shall render a decision on review of a claim not later than sixty (60) days after receipt of a request for review hereunder. The decision of the president on review shall be in writing and shall state the reason for the decision, referring to the plan provisions upon which it is based.

13. ADMINISTRATION

The treasurer of the congregation shall have authority and responsibility to control and manage the operation and administration of this plan.

14. AMENDMENTS; TERMINATION

This plan may be amended or terminated at any time by the congregation's governing board ***provided*** that termination shall not affect the right of any participant to claim reimbursement for amounts expended for medical care prior to termination.

15. MISCELLANEOUS

This plan shall not be deemed to constitute a contract between the congregation and any participant or to be a consideration or an inducement for the employment of any participant or employee. Nothing contained in this plan shall be deemed to give any participant or employee the right to be retained in the service of the congregation or to interfere with the right of the congregation to discharge any participant or employee at any time regardless of the effect which such discharge shall have upon him/her as a participant of this plan.

16. GOVERNING LAW

This plan shall be construed and enforced according to the laws of the State of _____, other than its laws respecting choice of law, to the extent not preempted by any federal law.

Date Adopted and Recorded in Minutes

Governing Board Secretary