Emeriti®
Retirement Health

# EMERITI REIMBURSEMENT BENEFIT
## Update on Qualified Medical Expenses

One of the key features of your Emeriti Retiree Health Plan ("Plan") is the ability to obtain reimbursement for out-of-pocket qualified medical expenses ("QMEs") from the Emeriti Health Accounts, including QMEs incurred by the Participant, the Participant's Spouse, Dependent Children, and Dependent Relatives[1]. This update focuses on five common questions about the Emeriti Reimbursement Benefit:

(1) What types of expenses qualify as QMEs?
(2) What are the general rules for reimbursement of long-term care services?
(3) What are the general rules for reimbursement of long-term care insurance premiums?
(4) Who qualifies as a Dependent Relative for purposes of reimbursement of QMEs?
(5) When does coverage under the Reimbursement Benefit begin?

**(1) What types of expenses qualify as QMEs?**

QMEs are those expenses defined as "medical care" under Section 213(d) of the Internal Revenue Code that are not covered by insurance or another reimbursement plan. This includes amounts paid for:

***(a) the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body***

- This includes such things as surgery, doctor visits, medicine, copays, and deductibles.
- The Reimbursement Benefit claims processor uses a standard list of reimbursable expenses based on IRS guidance.

***(b) any transportation primarily for and essential to such medical care***

- This includes such things as necessary transportation in an ambulance or aircraft to a medical facility.

***(c) medical insurance***

- This includes individual insurance coverage purchased on the open market and Medicare premiums.

***(d) qualified long-term care services***

- The general rules for long-term care services are described below.

***(e) qualified long-term care insurance premiums***

- The general rules for long-term care premiums are described below.

Please note that the descriptions provided above are not comprehensive and additional restrictions or limitations may apply.

[1] Dependent Domestic Partners may also be qualified as Dependent Relatives if so qualified under the Plan.

**(2) What are the general rules for reimbursement of long-term care services?**

The Emeriti Health Accounts may be used to reimburse expenses for qualified long-term care services provided to the employee or an eligible dependent (for example, an elderly parent enrolled as a Dependent Relative under the Plan), unless they are otherwise reimbursed by insurance or another reimbursement plan. Long-term care services are qualified if they are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative services, or "maintenance or personal care services," which are required by a "chronically ill individual" and which are provided pursuant to a plan of care prescribed by a licensed health care practitioner. Expenses incurred at facilities, such as nursing homes, can qualify as long-term care expenses, subject to the relationship requirements discussed on page 3, below.

- A "chronically ill individual" is one who has been certified within the last 12 months by a licensed health care practitioner as: (i) unable to perform without substantial assistance at least two activities of daily living (*eating, toileting, transferring, bathing, dressing, or continence*) for a period of at least 90 days due to a loss of functional capacity; (ii) having a level of disability similar to the level of disability described in clause (i); or (iii) requiring substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment.

- The term "maintenance or personal care services" means care given with the primary purpose of providing needed assistance with any of the disabilities causing the individual to be considered a "chronically ill individual – i.e., eating, toileting, transferring, bathing, dressing, or continence – including protecting the individual from threats to health and safety due to severe cognitive impairment.

**(3) What are the general rules for reimbursement of long-term care insurance premiums?**

The Emeriti Health Accounts may be used to reimburse premiums paid for qualified long-term care insurance. The insurance contract is qualified if:

(1) it provides coverage only for qualified long-term care services (*discussed above; note that it may provide payments on a per diem or other basis regardless of the actual expenses an insured incurs during the period to which the payments relate*);

(2) it does not pay or reimburse expenses for services or items provided under Medicare (or that would be provided by Medicare but for application of a deductible or coinsurance amount), except for expenses reimbursable by Medicare only as a secondary payer (and the contract may provide benefits that coordinate with Medicare);

(3) it is guaranteed renewable;

(4) it does not have a cash surrender value or other financial provision that may be paid, assigned, pledged as collateral for a loan, or borrowed by the policyholder; and

(5) it provides that all refunds of premiums and all policyholder dividends or similar amounts arising under the contract will be applied either to reduce future premiums or to increase benefits under the contract (except that it may provide a refund when the insured dies or the contract is cancelled).

The IRS imposes a limitation (adjusted annually for inflation) on the amount of long-term care premiums that qualify as medical expenses. Therefore, there is an annual limitation on reimbursement of long-term care premiums that depends upon the age that the covered individual will be by the end of the calendar year. Amounts in excess of these limits cannot be reimbursed from the Emeriti Health Accounts:

*Figures for 2017

| **Age** | **Limit of Reimbursement** |
|---|---|
| 40 or younger | $410 |
| 41 to 50 | $770 |
| 51 to 60 | $1,530 |
| 61 to 70 | $4,090 |
| Older than 70 | $5,110 |

*Figures for 2018

| **Age** | **Limit of Reimbursement** |
|---|---|
| 40 or younger | $420 |
| 41 to 50 | $780 |
| 51 to 60 | $1,560 |
| 61 to 70 | $4,160 |
| Older than 70 | $5,200 |

**(4) Who qualifies as a Dependent Relative for purposes of reimbursement of QMEs?**

A Dependent Relative is an individual who receives over half of his or her support from the Participant, has the appropriate relationship with the Participant (*see below*), and is enrolled as the Participant's Dependent Relative. This can be extremely important to a Participant with an elderly parent or disabled relative who is under the Participant's care. The Plan allows reimbursement for Dependent Relatives with the following relationship to the Participant:

- child, grandchild, great grandchild, etc.
- sibling or stepsibling
- parent, grandparent, great grandparent, etc.
- stepparent
- aunt, uncle, niece, or nephew
- son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law
- any other individual who lives in the Participant's home for the Plan year and is a member of the Participant's household

**(5) When does coverage under the Reimbursement Benefit begin?**

As long as a Participant satisfies any vesting requirements under the Plan, the Participant can access his or her Emeriti health accounts upon ceasing employment (1) if the Participant satisfies the requirements of Retirement Eligibility prior to ceasing employment or (2) when the Participant attains age 55.

However, a Participant may obtain early access to his or her accounts for Terminal Illness or Injury Expenses incurred by the Participant or an enrolled dependent (Spouse, Dependent Child, or Dependent Relative). In addition, a Participant may obtain early access to his or her accounts for QMEs incurred by the Participant and/or any enrolled dependents which are beyond insurance coverage and exceed $15,000 in a single 12-month period.

In order to be eligible for reimbursement, a Participant must designate an individual as a dependent in accordance with the Plan procedures. It is important to note that the Plan is written to provide reimbursement to individuals who meet the definition of a dependent under Section 152 of the Internal Revenue Code. Therefore, it is imperative that the Participant only enroll those dependents who meet the definition of "Spouse," "Dependent Child," or "Dependent Relative." Enrolling an individual who is not eligible could result in adverse tax consequences for the Participant.