

# **FLEXIBLE BENEFIT CAFETERIA PLAN**

*Summary Plan Description (SPD)*  
*As of February 1, 2012*

**City of Ridgeland**  
**P.O. Box 217**  
**Ridgeland, MS 39158**

Modified: February 1, 2012

## Introduction.

This Summary Plan Description describes the basic features of the Cafeteria Plan (Plan), how it operates, and how you can get the maximum advantage from it. This is only a summary of the key parts of the Plan, and a brief description of your rights as a participant. This is not a part of the official plan document. If there is a conflict between the plan document and this booklet, the plan document will prevail. Each Participant, and each beneficiary receiving benefit(s) under the Cafeteria Plan, shall be furnished a Summary Plan Description (SPD), including material modifications to the terms and change in information required to be included in the SPD.

## Purpose of the Plan.

The purpose of the Plan is to allow eligible employees to use funds provided through employee salary reductions to pay for certain benefits under the Plan with pre-tax dollars.

## Who Can Participate in the Plan?

Employees who are regularly scheduled to work 40 hours or more per week are eligible to participate in the Plan. An eligible Employee may elect to participate effective the first day of the month following 30 days of employment with the Employer.

## Example of Savings.

You save federal income tax, state income tax and Social Security taxes by participating in the Plan. The following is an example of tax savings you might experience as a result of participating in the Premium Payment Plan.

## Cafeteria Illustration.

WITHOUT PARTICIPATION IN CAFETERIA	WITH PARTICIPATION IN CAFETERIA
\$1,000 GROSS SALARY/W-2 INCOME	\$1,000 GROSS SALARY
<u>-300 TAXES (STATE, FED, SOC. SEC.)</u>	<u>-100 INSURANCE &amp;/OR OTHER EXPENSES</u>
700 NET CHECKS	900 NET CHECKS/W-2 INCOME
<u>-100 INSURANCE &amp;/OR OTHER EXPENSES</u>	<u>-270 TAXES (STATE, FED, SOC. SEC.)</u>
\$ 600 NET SPENDABLE INCOME	\$ 630 NET SPENDABLE INCOME

## Becoming a Participant.

You become a participant by signing an Election and Salary Reduction Agreement (SRA) on which you elect one or more of the benefit(s) available under the Plan, as well as agree to a salary reduction to pay for those benefits so elected. You must complete and turn in your form within the time period specified by the Plan Administrator. If you do not elect coverage when you are first eligible, you will have to wait until the next open enrollment period to enroll for the following Plan Year.

A new Election and Salary Reduction Agreement will be made available to you during the open enrollment period, and you will be given the opportunity during this period to elect your coverage for the following Plan Year. Prior to each subsequent Plan Year, you will be given the opportunity to change your benefit election. If you fail to complete and return a new election form within the regular enrollment period, preceding each Plan Year, your election will remain the same. You may agree to a salary reduction for eligible

benefits under the Plan up to the lesser of 50% of your compensation per Plan Year, or pro rata portion for a shorter Plan Year.

## **Notice of Enrollment Rights.**

If you have declined enrollment for yourself and/or dependents when you were hired, you may enroll in the Cafeteria Plan, during the open enrollment period (within sixty (60) days prior to your plan year renewal effective date) or you may enroll yourself and/or your dependents in this Flexible Benefit Cafeteria Plan, provided that you request enrollment within ninety (90) days from an event of a Change in Status.

## **Election Changes during the Plan Year.**

Generally, you cannot change your election to participate in the Plan or vary the salary reduction amounts you have selected during the Plan Year. The only exception to this general rule would be in a case of a "Change in Status" as described below. Except for Participants in Unreimbursed Medical Spending Accounts, your election will terminate if you are no longer working for the Employer.

## **Change in Status.**

You may revoke, change or make a new election, provided that the revocation or election change is caused by and consistent with the Change in Status. Your Plan Administrator (in its sole discretion) determines if the Change in Status is within prevailing IRS guidelines and is consistent with a Change in Status. Examples of permissible changes that qualify as a Change in Status are listed below:

- a change in your legal marital status (such as marriage, divorce, annulment or death of your spouse);
- a change in the number of dependents (such as birth, adoption or placement for adoption of a child or the death of a dependent);
- a change of employment status by you, your spouse, or your dependent (such as a strike or lockout, a commencement or return from an unpaid leave of absence, a change in worksite or a change in employment status, the effect of which is a loss of eligibility to participate in the Plan or any Benefit Plan available hereunder and changes due to the Family Medical Leave Act (FMLA));
- a reduction or increase in your hours of employment, spouse or dependent;
- your dependent's satisfying or ceasing to satisfy an eligibility requirement for a particular benefit, such as attaining a specified age or ceasing to be a student;
- certain Judgments and Orders or Entitlements to Medicaid or Medicare; and/or
- gain of coverage eligibility under another Employer's Plan by your spouse's or dependent's employment; and/or
- a qualifying unpaid Uniformed Services Leave, to the extent required by USERRA.

*Change of Spouse's Employment.* You may make certain changes for your Premium Payment Plan due to cost or coverage changes in your Spouse's or Dependent's employment.

*Special Enrollment Rights.* You may make a change if your spouse or dependent is entitled to special enrollment rights under a group health plan, as required by the Health Insurance Portability and Accountability Act of 1996 (HIPAA) under Code § 9801(f). A Participant may revoke a prior election for group health plan coverage and make a new election, provided that the election change corresponds with such HIPAA special enrollment rights. (Applies only to Premium Payment Plans, does not apply to Health Flexible Spending

Account “Health FSA” or Dependent Care Account Plans (DCAP) Benefits). Including the Children’s Health Insurance Program Reauthorization Act of 2009, which extends and expands the state Children’s Health Insurance Program (CHIP) allowing for additional special enrollment rights for eligible individuals under the following two circumstances:

- (1). The Employee’s or Dependent’s Medicaid or CHIP coverage is terminated as a result of loss of eligibility and the Employee request coverage under the Employer’s health plan within sixty (60) days after the termination, or
- (2). The Employee or Dependent becomes eligible for a premium assistance under Medicaid or CHIP, and the Employee request coverage under the plan within sixty (60) days after eligibility is determined.

The Children’s Health Insurance Program Reauthorization Act of 2009 will now allow the dropping health coverage, when eligibility of CHIP is met; this is effective April 1, 2009 and after.

Additionally, the Plan Administrator may modify your election(s) downward during the Plan Year if you are a Key Employee or Highly Compensated Individual (as defined by the Internal Revenue Code), if necessary to prevent the Plan from becoming discriminatory within the meaning of the federal income tax law, and adjustments may also be made to reflect insignificant mid-year premium increases imposed by third party insurers.

### **Premium Payment Plan.**

When you become a Participant, your eligible premiums will be paid with that portion of gross income that you have elected to forgo through pre-tax salary reductions.

### **Unreimbursed Medical Spending Accounts (URM) Benefit.**

If you elect benefits under this portion of the Plan, an Unreimbursed Medical Spending (URM) Account will be set up in your name to keep a record of the reimbursements to which you are entitled, as well as the premiums you have paid for such benefits during the Plan Year. Your URM Account is merely a record keeping account; it is not funded (all reimbursements are paid from the general assets of the Employer).

You may elect any amount you desire, subject to the maximum election. The maximum amount of reimbursement for Unreimbursed Medical Spending Account expenses incurred by the Participant shall be no more than **\$2,500** per Plan Year, (the lesser of 50% Compensation per Plan Year.) You will be required to pay the annual premium equal to the coverage level you have chosen. Expenses must be for yourself, and/or eligible dependents, (able to claim their expenses on your income tax return).

*Amended January 1, 2012*

When you complete the Election and Salary Reduction Agreement, you specify the amount of URM you wish to pay for with your salary reduction. Thereafter, you must pay a premium for such coverage by having an equal portion of the annual premium deducted from each paycheck, except in the case of Termination, (see Termination of Employee below). The full amount of the coverage you have elected will be available to reimburse you for eligible Medical Expenses at any time during the Plan Year.

For example, suppose that you have made a Plan Year election of \$1,200 URM Expenses, and that you have chosen no other benefits under the Cafeteria Plan. Your Account would be credited with a total of \$1,200

during the Plan Year. If you are paid monthly, your Account would reflect that you have paid \$100.00 (\$1,200/12) per pay period in premiums for the benefit you elected.

A “Medical Expense” generally means an item for which you could have claimed a Medical Expense deduction on an itemized federal income tax return (without regard to any threshold limitation or time of payment) for which you have not otherwise been reimbursed from insurance or from some other source.

Section 213(d)(1) defines “medical care” to include amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body.

Over-The-Counter (OTC) drugs and/or items. Effective January 1, 2011, over-the-counter medical expenses will not be eligible for reimbursement under the Spending Accounts Plan, as defined in regulations for Health Care Reform in PPACA.

Below are a few examples of Medical Expenses that ARE NOT allowed:

- Over-The-Counter dietary supplements (vitamins), food supplements, toiletries, cosmetics and sundry items. (*Effective January 1, 2011, over-the-counter medical expenses will not be eligible*);
- health insurance premiums that you or your spouse pay for coverage under another Health Plan;
- cosmetic surgery or other similar procedures, unless the surgery or procedure is necessary to correct a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease. “Cosmetic” means any procedure or drug which is directed at improving the patient’s appearance and does not meaningfully promote the proper function of the body to prevent or treat illness or disease;
- expenses for weight loss diet foods, including over-the-counter weight loss drugs;
- massage therapy, health club dues, or fitness programs;
- drugs/items purchase, that exceed what can normally be consumed within the Plan Year, (bulk purchases);
- any medical related expense that you are not required to pay.

*Amended January 1, 2011  
OTC, non eligible*

### **Unreimbursed Medical Benefit Period.**

Medical expenses must have been incurred, meaning the services must be rendered, during Unreimbursed Medical Benefit Period. “Unreimbursed Medical Benefit Period” means an additional two (2) and a half (½) months following the end of the Plan Year in effect, to incur medical expenses. You may not be reimbursed for any expenses arising before the Plan becomes effective, before your Salary Reduction Agreement or amendment became effective, or for any expenses incurred after the close of the Unreimbursed Medical Benefit Period. You are entitled to receive your total election for any eligible unreimbursed medical expense incurred during your Unreimbursed Medical Benefit Period. If you submit claim(s) incurred during the Unreimbursed Medical Benefit Period, and you have a balance in the immediately preceding Plan Year, claims will first be applied to that remaining balance, until the balance is exhausted. This is eligible until the fifteen (15<sup>th</sup>) day, of the third (3) month, following the close of the preceding Plan Year. Once the period elapses or the funds run out, only then will claims be applied to the new Unreimbursed Medical Benefit Period.

### **Dependent Care Spending Account Benefits.**

Under the Dependent Care Spending Account, you are provided with a source of pre-tax funds to reimburse yourself for Eligible “Dependent” Care Expenses. By entering into a Salary Reduction Agreement

with your Employer, you agree to a salary reduction to fund Dependent Care Expenses in lieu of your regular pay.

If you elect benefits under this portion of the Plan, a Dependent Care Spending Account will be set up in your name to keep a record of the reimbursements to which you are entitled. Your Dependent Care Spending Account is merely a record keeping account; it is not funded (all reimbursements are paid out of the general assets of the Employer).

Your election cannot exceed the maximum amount specified in § 129 of the Internal Revenue Code. The maximum amount is currently \$5,000 per Plan Year if you:

- are married and file a joint return; or
- are married, and furnish more than one-half of the cost of maintaining your dependents; your spouse maintains a separate residence for the last six (6) months of the calendar year, and you file a separate return; or
- are single and head of the household for tax purposes.

If you are married and reside with your spouse, but you file a separate federal income tax return, then the maximum Dependent Care you may elect is \$2,500 per Calendar Year.

When you complete the Salary Reduction Agreement, you specify the amount of Dependent Care benefits you wish to pay with your salary reduction. Thereafter, your Dependent Care Spending Account will be credited with the portion of your gross income that you have elected to forgo through salary reduction. These portions will be credited each pay period. The amount that is available for reimbursements at any particular time will be the amount that has been credited to your Dependent Care Spending Account, less any reimbursements already paid.

For example, suppose you have elected \$2,400 for Dependent Care Expenses and you have chosen no other benefit under the Employer's Cafeteria Plan, your Dependent Care Spending Account, would be credited (and funded) with a total of \$2,400 during the Plan Year. Thus, if you are paid monthly, you would have a total of \$200 credited to your Dependent Care Spending Account each payday to pay reimbursements under this Plan.

Dependent Care expenses must meet *all* of the following conditions for them to be eligible Dependent Care Expenses:

1. The expenses are incurred for services rendered after the date of your election, and during the Plan Year to which it applies;
2. Each individual for whom you incur the expenses is;
  - (a) a dependent under age 13 and is entitled to a personal tax exemption; or
  - (b) a spouse or other tax dependent who is physically or mentally incapable of caring for himself or herself;
3. The expenses are incurred for the care of a dependent (as described above), to enable you and/or your spouse to be gainfully employed;
4. The expenses cannot be paid to another dependent of yours who is under age 19 or an individual for whom you or your spouse is entitled to a personal tax exemption as a dependent;

“Dependent(s)” means any individual who is a tax dependent of the Participant as defined in Code §152(a) and as amended by Working Families Tax Relief Act (WFTRA) of 2004 (FS-2005-7, January, 2005). You are encouraged to consult your personal tax advisor and/or IRS Publication 502, “Your Federal Income Tax” for further guidance as to what is or is not an Eligible Expense.

You will be required to file IRS Form 2441, or a similar form, with your annual federal income tax return, listing the names and taxpayer identification numbers of any persons who provided you with dependent care services during the calendar year for which you have claimed a tax-free reimbursement.

You may not claim any other tax benefit for the tax-free amounts received by you under this Plan, although the balance of your Dependent Care Expenses may be eligible for the dependent care credit.

Dependent Care expenses may be eligible as a tax credit if not elected under your Employer's Cafeteria Plan. The tax credit may benefit you more than your Cafeteria Plan depending on your household income. Consult your tax advisor to determine which will offer you a greater benefit.

### **Claims Procedures under Unreimbursed Medical (URM) and Dependent Care Spending Accounts.**

When you incur an expense that is eligible for reimbursement, you must submit a claim to the Plan's Service Provider, on a Claim Form (Request for Reimbursement) provided. Attached or along with your Claim Form, you must provide substantiation of the expense supplied by a third party provider. For Unreimbursed Medical Spending Account Expenses, you must include written statement(s)/bills(s) with the Medical Provider's name and address, date of service (not date paid), and type and cost of the Eligible Expense. Medical bill(s) or receipts must also include the Patient's Name. Prescription Drugs must include the Name of the Drug and the RX number on the receipt along with the information above. Only eligible expenses, not reimbursed by insurance or any other third party provider, are reimbursable through your URM Plan.

URM is for expenses incurred for out-of-pocket medical expenses that will not be reimbursed by any other means, i.e., Health Insurance, supplemental insurance, Health Reimbursement Arrangements, and/ or Health Savings Accounts. Benefits could be limited based on other benefit coverage(s) and their plan design. An Explanation of Benefits or "EOB(s)" may be required when a portion of the expense has been paid by a third party. If you submit claim(s) incurred during the Unreimbursed Medical Benefit Period, and you have a balance in the previous Plan Year, claims will first be applied to that remaining balance, until the balance is exhausted. This is eligible until the fifteen (15<sup>th</sup>) day, of the third (3) month, following the close of the proceeding Plan Year. Only then will claims be applied to the new Unreimbursed Medical Benefit Period.

When claiming Dependent Care Expenses, you must include the care provider's tax identification number or social security number, the dependent's name, date of birth, amount of the expense, and the period of coverage. Once again, the expense must be incurred during the Plan Year.

If you have enough funds in your Dependent Care Spending Account, you will be reimbursed for your eligible expenses. Funds are available after payroll deductions have been made and the Plan's Service Provider has received a credit of those funds from your Employer.

If the claim you submit is more than your current Dependent Care Spending Account Reimbursement Account balance, then the excess part of the claim will be carried over into following months, to be paid out as your balance becomes adequate.

There is a \$15.00 minimum on all checks issued. Reimbursements for less than \$15.00 are issued once the claim(s) submitted exceeds \$15.00 or at Plan Year end when the minimum is lowered to \$1.00.

All documentation is electronically scanned and must originate from a third party provider. Documentation such as pharmacy or register receipts, (small item receipts) should be copied on a regular size sheet of paper, (8 ½ X 11). Multiple receipts may be copied on one page. Printouts may be requested from doctor offices and pharmacies to eliminate small receipts. Please do not use staples or tape. This will help SABC expedite your claim. Reimbursements may be done on a “Walk In” basis at the SABC location, on 567 Hwy 51, Suite A, Ridgeland, MS, up to 4:00 PM each business day. All claims received after 4:00 PM (including “Walk ins”), will be processed the next business day. Faxed claims received by 3:00 PM are processed on the same business day. Faxed claims received after 3:00 PM will be processed on the next business day. Direct Deposits are processed and issued by 3:00 PM each business day and are scheduled for credit to the participants bank account, on the next available bank business day. Flexible Spending Participants interested in Direct Deposit, may go to our web site [www.sabcflex.com](http://www.sabcflex.com) and obtain a Direct Deposit Form, complete and submit it to SABC.

### **Forfeiture of Unclaimed Reimbursement Account Benefits.**

Coverage under the Dependent Care Spending Account will terminate as of the day you are no longer employed by the Employer or your contribution has been missed for any reason. However you may submit claims for reimbursement for Eligible Employment-Related Expenses arising during the Plan Year at anytime, until sixty (60) days after the end of the Plan Year, for which the election had been in effect, to receive reimbursement. Unclaimed funds, (e.g., un-cashed benefit checks) remaining in your Dependent Care Spending Account after the sixty (60) day grace period, following the end of the Plan Year, will be forfeited. Amounts so forfeited may be used by the Employer to offset reasonable administrative expenses and future costs.

Unreimbursed Medical Spending Account reimbursement benefits, unused at the close of the sixty (60) days, following the Unreimbursed Medical Benefit Period for the Plan Year for which the election had been in effect, will be forfeited, as well as any unclaimed funds, (e.g., un-cashed benefit checks) remaining in your Unreimbursed Medical Spending Account. Amounts forfeited may be used by the Employer to offset reasonable administrative expenses and future costs. You are not entitled to receive reimbursement for Medical Expenses incurred after the close of the sixty (60) days following the Unreimbursed Medical Benefit Period.

### **Claim Denials.**

You will be notified in writing by the Plan’s Service Provider within thirty (30) days of the date the Plan’s Service Provider received your claim for Unreimbursed Medical and/or Dependent Care Spending and/or **Premium** Reimbursement Accounts if your claim is denied in whole or in part. Such notification will set out the specific reasons your claim was denied with reference to the specific provisions of the Plan on which the denial was based, a description of any additional information needed to process the claim and what steps, if any, you might take in order to validate the claim. (This time period may be extended for an additional fifteen (15) days for matters beyond the control of the Plan’s Service Provider, including cases where a claim is incomplete). The Plan’s Service Provider will provide written notice of any extension, including the reasons for the extension.

Where a claim is denied or incomplete, the extension notice will also specifically describe the required information needed and will allow you forty-five (45) days from receipt of the notice in which to provide the specified information, which will have the effect of suspending the time for a decision on your claim until the specified information is provided. If the Plan’s Service Provider fails to respond within fifteen (15) days of receipt of your claim, your claim is treated as denied. You, your beneficiary or your authorized representative have a right to request, in writing, an administrative review of the denial anytime within a sixty (60) day period after you receive notification of the denial. Any such request should be accompanied by documents or records as instructed by your first denial to support your appeal.

You, your beneficiary or your authorized representative will have the opportunity to review any important documents held by the Plan's Service Provider, and to submit comments and other supporting information. In most cases, a decision will be reached within sixty (60) days of the date of your request for a review and a written response to the appeal will be provided.

Within sixty (60) days after you receive written notification of the denial (in whole or in part) of your claim, you or your beneficiary or your authorized representative may make a written application to the Plan Administrator, in person or by certified mail, postage pre-paid, to be afforded a review of such denial; may review pertinent documents; and may submit issues and comments in writing.

Upon receipt of a request for review, the Plan Administrator shall make a prompt decision, provided in writing, and shall specify reasons for the decision and specific references to the pertinent plan, rules, or insurance policy provisions on which the decision was based. This decision on review shall be made within sixty (60) days of your request for a review. If the Plan Administrator requires an extension, the Plan Administrator will provide you with a written notice of the extension prior to the expiration of the reviews initial sixty (60) days. You will have one hundred-eighty (180) days to file an appeal to the decision after receipt of denial notification.

### **Termination of Employment during the Plan Year.**

Coverage under Dependent Care Spending terminates as of the day you are no longer employed by the Employer or your contribution has been missed for any reason. However you may submit claims for reimbursement for Eligible Employment-Related Expenses arising during the Plan Year at anytime until sixty (60) days after the end of the Plan Year, for which the election had been in effect, and to receive reimbursement.

As a Participant, in the Unreimbursed Medical Spending Accounts, if you terminate during the Plan Year, in lieu of COBRA, final reduction of your Plan Year election will be deducted from your final paycheck, or any monies due you upon employment termination. You will cease to be a Participant at the close of the Unreimbursed Medical Benefit Period. After you terminate, you may continue to submit claims for reimbursement for Eligible Medical Expenses arising during the Unreimbursed Medical Benefit Period, and receive reimbursement. You are not entitled to receive reimbursement for Medical Expenses incurred after the end of Unreimbursed Medical Benefit Period, and any unused reimbursement benefits, or un-cashed checks, at the close of the sixty (60) days following the Unreimbursed Medical Benefit Period, for the Plan Year the election had been in effect, will be forfeited.

If you terminate employment and are rehired within the same Plan Year and are eligible for the Plan, you may make new elections, provided that you are rehired more than thirty (30) days after you terminate employment. If you are rehired within thirty (30) days or less, your prior election shall remain in effect for the remainder of the Plan Year.

### **Effects Participation has on Social Security and other Benefits.**

Your participation may reduce the amount of your taxable compensation. Accordingly, there could be a decrease in your Social Security Benefits and/or other benefits (e.g., pension, disability and life insurance), which are based on taxable compensation.

## Family Medical Leave Act.

If your Employer is subject to the Family and Medical Leave Act (FMLA), generally Employers with at least fifty (50) employees, and if you are on eligible leave under FMLA, then you may continue to pay for your Health Insurance coverage on an after-tax basis, or other arrangements may be available (such as prepaying on a pre-tax basis via extra salary reductions before you go on leave). If your Employer pays a portion of your health insurance premiums, then they must continue those payments. However, if you do not return from FMLA, you may be required to repay the Employer-paid portion of the health insurance premiums. If your Employer is subject to FMLA, then you should be provided with complete explanation of your FMLA rights and responsibilities.

## Administrative Cost.

There is a \$.75 administrative cost incurred by you, for participating in the Cafeteria Plan, per pay period. This fee is eligible to be pre-tax under the Cafeteria Plan.

## HIPAA Privacy Notice for Your Cafeteria Plan

**THIS NOTICE DESCRIBES HOW MEDICAL INFORMATION ABOUT YOU MAY BE USED AND DISCLOSED AND HOW YOU CAN GET ACCESS TO THIS INFORMATION. PLEASE REVIEW IT CAREFULLY.**

This policy refers to City of Ridgeland by using the term "plan", "plan sponsor", "us", "we", or "our." This notice describes our Privacy Policy regarding nonpublic personal and protected health information (PHI) that we may collect and disclose. This information about you is protected by the Health Insurance Portability and Accountability Act of 1996, or HIPAA and is consistent with what is known as the "HIPAA Privacy Rule." Any of the terms not defined in this Notice should have the same meaning as they have in the HIPAA Privacy Rule. This Privacy Policy will apply from the time our relationship begins, during the course of our customer relationship, as well as after the relationship ends.

PHI, as we use in this notice, means information that identifies an individual personally and is not otherwise available to the public. It includes personal financial information such as premium amounts, flexible spending elections, employment, dependent and claim information. It also includes personal health information such as individual medical records and information about illness or injury.

### **OUR PRIVACY PLEDGE**

We understand that information we may obtain about you and your health is personal and private. We are committed to protecting your PHI. We create a record of your health benefits and medical claims reimbursements under the Plan or for Plan administration purposes. This notice applies to all of the records we maintain. You may have different policies or notices regarding the doctor's use and disclosure of your PHI created in the doctor's office or clinic.

This notice will tell you about the ways in which we may use and disclose PHI about you. We also describe your rights and

certain obligations we have regarding the use and disclosure of PHI.

We are required by law to:

- (a) make sure that PHI is kept private;
- (b) give you this notice of our legal duties and privacy practices with respect to PHI about you; and
- (c) follow the terms of the notice that is currently in effect.

Plan will maintain physical, technical, electronic, and procedural safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the physical and electronic PHI that it creates, receives, maintains or transmits on behalf of you to comply with federal and state regulations 45 C.F.R. Parts § 160, 162 and 164 (HIPAA Security Standards) April 21, 2005.

### **HOW WE MAY USE AND DISCLOSE PHI ABOUT YOU.**

The following categories describe different ways that we use and disclose PHI for purposes of plan administration. For each category of uses or disclosures permitted by law, we will explain what we mean and try to give some examples. Not every use or disclosure in a category will be listed. However, all of the ways we are permitted to use and disclose information will fall within one of the categories.

**Treatment (as described in applicable regulations)**

We may disclose PHI to a health care provider for the health care providers' treatment purposes; although it is more likely a health care provider would receive your PHI from another health care provider than from us.

**Payment Purposes (as described by applicable regulations)**

We may use and disclose PHI to determine eligibility for Plan benefits, to facilitate payment for the treatment and services you receive from health care providers, to determine benefit responsibility under the Plan, or to coordinate Plan coverage. Payment includes activities undertaken to obtain premiums to determine or fulfill its responsibility for coverage and provision of plan benefits that relate to an individual to whom health care is provided. Likewise, we may share PHI with another entity to assist with the adjudication or subrogation of health claims or to another health plan to coordinate benefit payments. These activities include, but are not limited to, the following:

- determination of eligibility, coverage and cost sharing amounts (for example, cost of a benefit, plan maximums and co-payments as determined for an individual's claim);
- coordination of benefits, adjudication of health benefit claims (including appeals and other payment disputes);
- adjudication of health benefit claims (including appeals and other payment disputes);
- subrogation of health benefit claims;
- establishing employee contributions;
- billing, collection activities and related health care data processing;
- claims management and related health care data processing, including auditing payments, investigating and resolving payment disputes and responding to participant inquiries about payments;
- medical necessity reviews or reviews of appropriateness of care or justification of charges;
- medical reimbursements.

**Health Care Operations (as described in applicable regulations)**

We may use and disclose PHI for other Plan operations. These uses and disclosures are necessary to run the Plan. For example, we may use PHI in connection with: conducting quality assessment and improvement activities; conducting or arranging for medical review, legal services, audit services, and fraud and abuse detection programs; business planning and development such as cost management; and business management and general Plan administrative activities. Health Care Operations include, but are not limited to, the following activities:

- quality assessment;
- conducting or arranging for medical review, legal services and auditing functions, including fraud and abuse detection and compliance programs;

- business planning and development, such as conducting cost-management and planning-related analyses related to managing and operating the Plan, including formulary development and administration, development or improvement of payment methods or coverage policies;
- business management and general administrative activities, including, but not limited to:
  - (a) management activities relating to the implementation of and compliance with HIPAA's administrative simplification requirements, or
  - (b) customer service, including the provision of data analyses for participants, plan sponsors or other customers;
- resolution of internal grievances; and
- due diligence in connection with the sale or transfer of assets to a potential successor in interest, if the potential successor in interest is a "covered entity" under HIPAA or, following completion of the sale or transfer, will become a covered entity.

**As Required By Law**

We will disclose PHI when required to do so by federal, state or local law.

**To Avert a Serious Threat to Health or Safety**

Plan may use and disclose PHI when necessary to prevent a serious threat to an employees health and safety or the health and safety of the public or another person. Any disclosure, however, would only be to someone able to help prevent the threat.

**To a Business Associate**

Plan may disclose PHI to a Business Associate (BA), only if a valid BA Agreement is in place. A BA is an entity that performs a function for or on behalf of the Plan and uses PHI in doing so, or provides services to you or for the Plan such as accounting, consulting or administrative services. Plan requires BA to protect the confidentiality of PHI and to use it solely for the purposes for which Plan disclosed the information, except as permitted by law. Otherwise, Plan will not disclose your protected health information.

Plan requires BA to implement administrative, physical and technical safeguards consistent with (and required by) the HIPAA Security Standards that reasonably protect the confidentiality, integrity, and availability of written or Electronic Protected Health Information (PHI) that it creates, receives, maintains or transmits on behalf of the Plan, that it is used solely for the purposes for which Plan disclosed the information, except as permitted by law, otherwise Plan does not disclose PHI. BA agrees that by April 21, 2005 (April 21, 2006 for BA of small health plans), it shall fully implement the requirements of the HIPAA Security Standards (45 C.F.R. Parts §§160, 162, and 164, issued by February 20, 2003).

BA shall report to Plan any Security Incident that results in (i) unauthorized access, use, disclosure, modification, or destruction of Plan's Electronic PHI, or (ii) interference with BA's system operations in BA's information systems, of

which BA becomes aware, and (iii) BA shall report to Plan, upon occurrence of such non-permitted or violating use or disclosure, and the report must meet the format and content requirements imposed by the Plan. BA agrees it will insure that any agent, including subcontractor, to whom it provides such information agrees to implement reasonable and appropriate safeguards to protect such information. Examples of BA include data programmer, storage companies, Cafeteria Plan Service Provider, enrollment agent(s) and insurance agent(s) approved and employed by the Plan.

**Your Employer, City of Ridgeland.**

Plan may disclose PHI to City of Ridgeland as the Plan Sponsor, but only if Plan Sponsor has amended its plan document as required by the Privacy Rule and certified to such, established safeguards and fire walls to limit the classes of employees who will have access to PHI and limited the use of PHI to Plan purposes and not non-permissible purposes. Except as explained below, Plan restricts access to PHI to our employees who need to know that information to provide products or services.

Therefore, Your PHI will be disclosed to certain employees of City of Ridgeland. *These classes of employees/or Positions /or Names are:*

*Paula Tierce, Director of Human Resources*

*Erica Brown, Benefits*

*Plan Administrator – Gene McGee, Mayor*

*HIPAA Privacy Officer – Paula Tierce, Director of Human Resources*

Any disclosures to City of Ridgeland or its employees must be for purposes of administering the Plan.

These individuals may only use your PHI for Plan administration functions including those described below, provided they do not violate the provisions set forth herein. Any employee of City of Ridgeland who violates the rules for handling PHI established herein will be subject to adverse disciplinary action.

The Plan may also disclose enrollment and/or disenrollment information to City of Ridgeland for enrollment or disenrollment purposes only, and may disclose “summary health information” (as defined under the HIPAA medical privacy regulations) to City of Ridgeland for the purpose of obtaining premium bids or modifying or terminating the Plan.

City of Ridgeland has certified that it will comply with the privacy procedures set forth herein. City of Ridgeland may not use or disclose your PHI other than as provided herein or as required by law. Any agents or subcontractors who are provided your PHI must agree to be bound by the restrictions and conditions concerning your PHI found herein. Your PHI may not be used by City of Ridgeland for

any employment-related actions or decisions or in connection with any other benefit or employee benefit plan of City of Ridgeland. City of Ridgeland must report to the Plan any uses or disclosures of your PHI of which City of Ridgeland becomes aware that are inconsistent with the provisions set forth herein.

**SPECIAL SITUATIONS**

**Disclosure to Health Plan Sponsor**

Information may be disclosed to another health plan maintained by City of Ridgeland for purposes of facilitating claims payments under that plan. In addition, PHI may be disclosed to City of Ridgeland personnel solely for purposes of administering benefits under the Plan.

**Organ and Tissue Donation**

If you are an organ donor, we may release PHI to organizations that handle organ procurement or organ, eye or tissue transplantation or to an organ donation bank, as necessary to facilitate organ or tissue donation and transplantation.

**Military and Veterans**

If you are a member of the armed forces, we may release PHI about you as required by military command authorities. We may also release PHI about foreign military personnel to the appropriate foreign military authority.

**Workers' Compensation**

We may release PHI about you for workers' compensation or similar programs. These programs provide benefits for work-related injuries or illness.

**Public Health Risk**

We may disclose PHI about you for public health activities (e.g., to prevent or control disease, injury or disability).

**Health Oversight Activities**

We may disclose PHI to a health oversight agency for activities authorized by law. These oversight activities include, for example, audits, investigations, inspections, and licensure. These activities are necessary for the government to monitor the health care system, government programs, and compliance with civil rights laws.

**Lawsuits and Disputes**

If you are involved in a lawsuit or a dispute, we may disclose PHI about you in response to a court or administrative order. We may also disclose PHI about you in response to a subpoena, discovery request, or other lawful process by someone else involved in the dispute, but only if efforts have been made to tell you about the request or to obtain an order protecting the information requested.

**Law Enforcement**

We may release PHI if asked to do so by a law enforcement official in response to a court order, subpoena, warrant, summons or similar process.

### **Coroners, Medical Examiners and Funeral Directors**

We may release PHI to a coroner or medical examiner. This may be necessary, for example, to identify a deceased person or determine the cause of death. We may also release PHI about patients of the hospital to funeral directors as necessary to carry out their duties.

### **National Security and intelligence Activities**

We may release PHI about you to authorized federal officials for intelligence, counterintelligence, and other national security activities authorized by law.

### **Inmates**

If you are an inmate of a correctional institution or under the custody of a law enforcement official, we may release PHI about you to the correctional institution or law enforcement official. This release would be necessary (1) for the institution to provide you with health care; (2) to protect your health and safety or the health and safety of others; or (3) for the safety and security of the correctional institution.

If any use or disclosure of the required or permissible purposes described above are prohibited or materially limited by other applicable laws, the use or disclosure reflects the more stringent law.

Other uses and disclosures will be made only with your written authorization or that of your legal representative, and you may revoke such authorization as provided by 45 C.F.R. ' 164.508(b)(5) of the Privacy Rule. Any disclosures that were made when your Authorization was in effect will not be taken back.

### **EMPLOYEES' RIGHTS REGARDING PHI**

Employees have the following rights with respect to their PHI. To submit one of the requests listed below, you must submit a written request to:

City of Ridgeland  
Attn: Privacy Officer  
P.O. Box 217  
Ridgeland, MS 39158  
(601) 856-7113

### **RIGHT TO INSPECT AND COPY PHI**

As provided by 45 C.F.R. §164.524 of the Privacy Rule, you have the right to inspect and copy PHI that may be used to make decisions about your Plan benefits. To inspect and copy PHI that may be used to make decisions about you, you must submit your request in writing to **the Privacy Officer**. If you request a copy of the information, we may charge a fee for the costs of copying, mailing or other supplies associated with your request.

We may deny your request to inspect and copy in certain very limited circumstances. HIPAA provides several important exceptions to your right to access your PHI. For example, you will not be permitted to access psychotherapy notes or information compiled in anticipation of, or for use in, a civil, criminal or administrative action or proceeding. Employer will not allow you to access your PHI if these or any of the exceptions

permitted under HIPAA apply. If you are denied access to PHI, you may request that the denial be reviewed.

### **RIGHT TO REQUEST RESTRICTIONS**

Employees have a right to request restrictions on certain uses and disclosures of PHI, as provided by 45 C.F.R. § 164.522(a) of the Privacy Rule (although we are not required to agree to a requested restriction).

### **RIGHT TO RECEIVE CONFIDENTIAL COMMUNICATIONS OF PHI**

If the employee believes our usual method of communicating PHI may endanger the employee, as provided by 45 C.F.R. § 164.522(b) of the Privacy Rule.

### **RIGHT TO AMEND PHI**

Employees have a right to amend PHI, that an employee feels is incorrect, as provided by 45 C.F.R. § 164.526 of the Privacy Rule. We may deny an employee's request, but must respond to the employee in either case.

To request an amendment, you must submit a written request to:

City of Ridgeland  
Attn: Privacy Officer  
P.O. Box 217  
Ridgeland, MS 39158  
(601) 856-7113

In addition, you must provide a reason that supports your request. We may deny your request for an amendment if it is not in writing or does not include a reason to support the request, or we may deny your request if you ask us to amend information that:

- Is not part of the PHI kept by or for the Plan;
- Was not created by us, unless the person or entity that created the information is no longer available to make the amendment;
- Is not part of the information which you would be permitted to inspect and copy; or
- Is accurate and complete.

The Plan must act on your request for an amendment of your PHI no later than sixty (60) days after receipt of your request. The Plan may extend the time for making a decision for no more than thirty (30) days, but must provide you with a written explanation for the delay. If the Plan denies your request, it must provide a written explanation of the denial and an explanation of your right to submit a written statement disagreeing with the denial.

### **RIGHT TO RECEIVE AN ACCOUNTING OF DISCLOSURES**

Employees have a right to receive an accounting of disclosures we have made of employee's PHI, as provided by 45 C.F.R. §164.528 of the Privacy Rule. We are not required to, and will not, account for disclosures made for treatment, payment or health care operations, national security, law enforcement or to

corrections personnel, pursuant to the employee's Authorization, or to the employee. In the written request, employees must note the time period for which they want an accounting, and the format in which they wish to receive it (e.g., paper or electronically). We will not account for disclosures made more than six years prior to the request, nor for disclosures made before HIPAA became effective [April 14, 2003]. We will provide one accounting of disclosures free of charge once every twelve months, if requested. For additional list, we may charge you for the costs of providing the list. We will notify you of the cost involved and you may choose to withdraw or modify your request at that time before any costs are incurred.

Note that HIPAA provides several important exceptions to your right to an accounting of the disclosures of your PHI. The Plan will not include in your accounting any of the disclosures for which there is an exception under HIPAA. The Plan must act on your request for an accounting of the disclosures of your PHI no later than sixty (60) days after receipt of the request. The Plan may extend the time for providing you an accounting by no more than thirty (30) days, but it must provide you a written explanation for the delay. You may request one accounting in any twelve (12) month period free of charge. The Plan will impose a fee for each subsequent request within the twelve (12) month period.

**RIGHT TO FILE A COMPLAINT**

If you feel your privacy rights have been violated. For details, see subsequent section of this Privacy Notice entitled "Privacy Complaint Procedures."

**RIGHT TO A PAPER COPY OF THIS NOTICE**

Employees have the right to a paper copy of this notice. You may ask us to give you a copy of this notice at any time. Even if you have agreed to receive this notice electronically, you are still entitled to a paper copy of this notice.

To obtain a paper copy of this notice, you may contact:

City of Ridgeland  
Attn: Privacy Officer  
P.O. Box 217  
Ridgeland, MS 39158  
(601) 856-7113

The Plan must make its internal practices, books and records related to the use and disclosure of PHI received from the Plan available to the Secretary of Health and Human Services for purposes of determining compliance by the Plan with these privacy protections.

When City of Ridgeland no longer needs PHI disclosed to it by the Plan, for the purposes for which the PHI was disclosed, City of Ridgeland must, if feasible, return or destroy the PHI that is no longer needed. If it is not feasible to return or destroy the PHI, City of Ridgeland must limit further uses and disclosures of the PHI to those purposes that make the return or destruction of the PHI infeasible.

**PRIVACY COMPLAINT PROCEDURES**

If you believe your privacy rights have been violated; you may file a complaint with the Plan or with the Secretary of the Department of Health and Human Services.

All complaints must be submitted in writing to ***the Privacy Officer***.

To file a complaint with the Plan you may contact:

City of Ridgeland  
Attn: Privacy Officer  
P.O. Box 217  
Ridgeland, MS 39158  
(601) 856-7113

You will not be penalized for filing a complaint.

**PLAN SPONSORS "City of Ridgeland" OBLIGATION AND RESPONSIBILITY**

Where Electronic Protected Health Information ("PHI") will be created, received, maintained, or transmitted to or by the Plan sponsor on behalf of the Plan, the Plan sponsor shall reasonably safeguard the Electronic PHI as follows:

- A. Plan sponsor shall implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic PHI that the Plan sponsor creates, receives, maintains, or transmits on behalf of the Plan.
- B. Plan sponsor shall ensure that the adequate separation that is required by 45 C.F.R. § 164.504(f)(2)(iii) of the HIPAA Privacy Rule is supported by reasonable and appropriate security measures;
- C. Plan sponsor shall ensure that any agent, including a subcontractor, to whom it provides Electronic PHI agrees to implement reasonable and appropriate security measures to protect such information; and
- D. Plan sponsor shall report to the Plan any Security Incidents of which it becomes aware as described below:

- 1. Plan sponsor shall report to the Plan within a reasonable time after Plan sponsor becomes aware, any Security Incident that results in unauthorized access, use, disclosure, modification, or destruction of the Plan's Electronic PHI; and
- 2. Plan sponsor shall report to the Plan any other Security Incident as it occurs or upon the Plan's request.

We are required by law to maintain the privacy of employee PHI. We are obligated to provide the employee with a copy of this Notice of our legal duties and of our privacy practices with respect to PHI and we must abide by the terms of this notice. We reserve the right to change the provisions of this Notice and make the new provisions effective for all PHI that we maintain. If we revise this notice, we will notify employees of these changes by mailing the revised notice to affected employees at the last known address.

**OTHER USES OF PHI**

Other uses and disclosures of PHI not covered by this notice or the laws that apply to us will be made only with your written permission. If you provide us permission to use or disclose PHI about you, you may revoke that permission, in writing, at any time. If you revoke your permission, we will no longer use or disclose PHI about you for the reasons covered by your written authorization. You understand that we are unable to take back any disclosures we have already made with your permission, and

that we are required to retain our records of the care that we provided to you.

**CHANGES TO THIS NOTICE**

We reserve the right to change this notice. We reserve the right to make the revised or changed notice effective for medical information we already have about you as well as any information we receive in the future. We will post a copy of the current notice on the Plan website. The notice will contain on the first page, in the top right-hand corner, the effective date.

**EFFECTIVE DATE**

This Notice is initially effective as of April 14, 2004, and as amended for HIPAA Security Standards, April 21, 2005 (April 21, 2006 for small health plans with reminders by April 14, 2007, and as amended).

**General Plan Information.**

- **City of Ridgeland**, Flexible Benefit Cafeteria Plan, is the name of the Plan.
- The provisions of the Plan described herein initially became effective on February 1, 2012.
- Your Plan’s records are maintained on a 12-month period of time. This is known as the Plan Year. The Plan Year begins on February 1, and ends on January 31<sup>st</sup> of each year.
- Your Employer’s tax identification number is 64-6001550.

**Employer Information.**

Your Employer’s name and address is:

City of Ridgeland  
P.O. Box 217  
Ridgeland, MS 39158

**Plan Administrator Information.**

The name, address, and business telephone number of your Plan Administrator is:

Gene McGee  
Mayor  
City of Ridgeland  
P.O. Box 217  
Ridgeland, MS 39158  
Telephone: (601) 856-7113  
Attention: Cafeteria Plan Administrator

## **Plan Service Provider.**

Southern Administrators and Benefit Consultants, Inc., (SABC)  
P.O. Box 2449  
Madison, Mississippi 39130-2449  
(601) 856-9933

## **Eligible Benefits and Provider.**

Group Health Insurance – Blue Cross/Blue Shield  
Dental Insurance – Delta Dental  
Cancer Insurance –TransAmerica (Renewal)  
Intensive Care Insurance – TransAmerica (Renewal)  
Cancer and Accident Insurance –AFLAC  
Unreimbursed Medical Spending Account -SABC  
Dependent Care Spending Account - SABC

## **Service of Legal Process.**

The name and address of the Plan’s agent for service of legal process is:

Gene McGee  
Mayor  
City of Ridgeland  
P.O. Box 217  
Ridgeland, MS 39158  
Attention: Cafeteria Plan Administrator

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Provided by:

**Southern Administrators and Benefit Consultants, Inc., (SABC)**  
P.O. Box 2449 \* Madison, MS 39130-2449 \* (601) 856-9933  
“Your Flexible Benefit Plan Specialists”  
[www.sabcflex.com](http://www.sabcflex.com)

Modified: February 1, 2012