Delhi Township

Health Reimbursement Arrangement (HRA) Basic Plan Document

Effective Date: **01/01/2026**

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Introduction

Delhi Township hereby establishes the Health Reimbursement Arrangement (HRA) effective 01/01/2026. This plan is designed to reimburse eligible medical expenses incurred by eligible employees and their dependents as described in Appendix A of this document.

It is intended that the HRA complies with Internal Revenue Code Section 105(b), making reimbursements excludable from gross income.

Article I – Definitions

The following terms used in this Plan shall have the meanings specified below:

1.1 Plan Administrator

The person(s) or committee appointed by the Employer to administer the plan. If no such individual or committee is appointed, the Employer will act as the Administrator.

1.2 Code

The Internal Revenue Code of 1986, as amended.

1.3 Coverage Period

The period during which an employee is eligible to receive reimbursements under the HRA, typically the Plan Year.

1.4 Effective Date

The date this HRA becomes effective is 01/01/2026.

1.5 Eligible Employee

An employee eligible to participate in the HRA. An individual shall not be considered an "Eligible Employee" if he or she is not eligible for the Employer's group medical plan.

1.6 Dependent

A spouse or any individual who qualifies as a dependent under Code Section 152, including a child under age 26, or an alternate recipient under a qualified medical child support order.

1.7 HRA Participant

An Eligible Employee or dependent who has satisfied the participation requirements of this Plan and has not become ineligible for further participation.

1.8 Employer

The entity establishing and maintaining this HRA Delhi Township and any successors. The term “Employer” may also refer to any Participating Employer that adopts this HRA.

1.9 Employer Contribution

The amounts contributed to the HRA by the Employer for the benefit of Eligible Employees. Contributions are not deducted from the employee's salary. See Appendix A for details.

1.10 HRA

The Health Reimbursement Arrangement established by Delhi Township which is intended to reimburse Qualifying Medical Expenses on a tax-free basis under Code Section 105.

1.11 Plan Year

The 12-month period during which the HRA operates, beginning 01/01/2026 and ending 12/31/2026. For subsequent Plan Years, the period will be from January 1 through December 31, unless otherwise indicated by the Employer.

1.12 Qualifying Medical Expenses

Expenses that meet the definition of "qualified medical expenses" within the meaning of Code Section 213(d), which includes expenses for the diagnosis, cure, mitigation, treatment, or prevention of disease, as well as for treatments affecting any part or function of the body.

In addition, qualified expenses for the purposes of this HRA must first be processed through an alternate employer’s group medical plan. Remaining eligible expenses not reimbursed by the alternate employer’s group medical plan (or any other health coverage) are eligible for reimbursement through the HRA. Services which are denied coverage under the alternate employer’s group medical insurance plan will not be deemed qualified expenses for the HRA. See Appendix A for details.

Article II – Participation

2.1 Eligibility

An Eligible Employee shall be eligible to participate in the HRA on the date such employee or eligible dependent is enrolled in an alternate employer's group medical plan.

2.2 Effective Date of Participation

An Employee who has satisfied the conditions of eligibility can become a Participant effective on the date the employee or eligible dependent is enrolled in an alternate employer's group medical plan and completes the required enrollment forms for the HRA. All participants of the HRA must meet the Delhi Township enrollment deadlines in relation to open enrollment or other qualified life events.

2.3 Termination of Participation

Participation in the HRA terminates on the date an employee ceases to meet the eligibility requirements or upon termination of employment (whichever is earlier). Upon termination, unused HRA funds are forfeited, subject to COBRA continuation rights.

Article III – Benefits

3.1 Establishment of HRA

The Employer establishes this Health Reimbursement Arrangement (HRA) with the following provisions:

a. The HRA is intended to qualify as a Health Reimbursement Arrangement under Code Section 105 and shall be interpreted consistent with that Code Section and its applicable Treasury regulations.

b. Participants may submit claims for the reimbursement of Qualifying Medical Expenses, as defined under this Plan.

c. The Employer will make contributions to the HRA as outlined in Appendix A. These contributions will be available to Participants at the start of each Plan Year for the reimbursement of Qualifying Medical Expenses.

d. This HRA is not coordinated or otherwise connected to the Employer's cafeteria plan (as defined in Code Section 125), except as permitted by law. No salary reduction contributions may be made to this HRA.

3.2 Nondiscrimination Requirements

The HRA will be operated in a manner that ensures compliance with applicable nondiscrimination requirements:

a. The intent of the HRA is to not discriminate in favor of highly compensated individuals as prohibited by Code Section 105(h).

3.3 Health Reimbursement Arrangement Claims

The process for submitting and handling claims is as follows:

a. Participants will submit claims for Qualifying Medical Expenses to the Claims Administrator using the Claim Submission Form in Appendix D or via an online member portal. The Claims Administrator will process claims according to the plan design, and reimbursement will be made to the Participant by direct deposit.

b. Claims for Qualifying Medical Expenses must be submitted within 90 days following the end of the applicable Coverage Period. Claims submitted after this deadline will not be eligible for reimbursement.

c. Reimbursements will be made directly to the Participant or, in the event of the Participant's death, to their surviving Dependent(s), as allowed under this Plan.

d. If any maximum reimbursement amount for a Coverage Period is not utilized in its entirety, this amount will not roll over to a future Coverage Period.

e. For Terminated Employees, claims for reimbursement must be submitted within 90 days following the end of the month of termination. If claims are not submitted by this deadline, the remaining funds will be forfeited.

3.4 Recovery of Excess or Mistaken Payments

If a reimbursement or payment under the HRA is determined to be excessive or made in error, the Plan Administrator will recover these funds as follows:

a. The Plan Administrator may require the Participant or other recipient to repay the mistaken payment amount to the Plan.

b. If the Plan Administrator cannot obtain repayment, they may deny future reimbursement claims until the excess or mistaken payment has been recovered in full.

c. The Plan Administrator may take other actions necessary to ensure recovery of mistaken payments and prevent future occurrences.

d. If none of the above methods are successful, the Employer may treat the amount owed as a business debt. In cases where the Employer forgives the debt, the amount will be reported to the IRS as taxable income to the Employee.

Article IV – Administration

4.1 HRA Administration

The operation and administration of the HRA are under the supervision of the Plan Administrator. The duties and powers of the Plan Administrator are as follows:

a. **Authority to Make and Enforce Rules**: The Plan Administrator has the authority to create and enforce rules and regulations deemed necessary for the efficient administration of the HRA.

b. **Interpretation of the HRA**: The Plan Administrator has the discretion to interpret the provisions of this HRA. Any interpretation made in good faith is final and binding on all Participants and beneficiaries.

c. **Decisions on Eligibility and Benefits**: The Plan Administrator will decide all matters regarding the eligibility of Participants and the benefits provided under the HRA.

d. **Non-Discrimination for Highly Compensated Employees**: The Plan Administrator may limit benefits for highly compensated employees if necessary to avoid discrimination in violation of applicable laws and regulations.

e. **Claims Approval**: The Plan Administrator has the power to review and approve claims for reimbursement and authorize the payment of HRA benefits in accordance with the Plan's provisions.

f. **Appointment of Agents**: The Plan Administrator may appoint agents, counsel, accountants, consultants, or other professionals as needed to assist in administering the HRA.

g. **Uniform and Non-Discriminatory Application**: All actions taken by the Plan Administrator, including any discretionary interpretations, will be carried out in a uniform and non-discriminatory manner and consistent with the intent of Code Section 105(h) and Treasury regulations.

4.2 Examination of Records

a. **Access to Records**: The Plan Administrator will make available to each Participant, Eligible Employee, or any other employee of the Employer records that pertain to their interest under the HRA.

b. **Reasonable Access**: Records will be made available for examination during reasonable business hours at the office of the Plan Administrator or other designated locations.

4.3 Indemnification of Plan Administrator

a. **Indemnification by Employer**: The Employer agrees to indemnify and defend the Plan Administrator and any Employee serving as a member of a committee designated as Plan Administrator (including any former Administrator) to the fullest extent permitted by law. This indemnification covers all liabilities, costs, and expenses (including attorney's fees) incurred as a result of any act or omission to act in connection with the HRA, provided such actions were taken in good faith.

b. **Exceptions to Indemnification**: Indemnification does not apply in cases of gross negligence or willful misconduct on the part of the Plan Administrator or any committee member.

4.4 Reliance on Information Provided

a. **Reliance on Employer-Provided Information**: The Plan Administrator may rely upon information provided by the Employer regarding an employee's status, compensation, or other facts relevant to Plan administration. The Plan Administrator is not liable for any error resulting from reliance on incorrect information provided by the Employer.

b. **Accuracy of Information**: Participants are responsible for providing accurate information when submitting claims or updating personal details relevant to the administration of the HRA.

4.5 Dispute Resolution

a. **Resolution of Disputes**: Any disputes arising from the operation of the HRA, including disputes over eligibility, benefits, or interpretation of the Plan, will be resolved by the Plan Administrator. The Plan Administrator's decision will be final and binding, except as otherwise provided by law.

b. **Appeals Process**: Participants may appeal decisions related to the denial of claims as described in Appendix B – Claims and Appeals.

Article V – Amendment or Termination

5.1 Amendment

The Employer reserves the right to amend the HRA at any time without the consent of Participants.

5.2 Termination

The Employer is establishing this HRA with the intent that it will be maintained for an indefinite period of time. Notwithstanding that intent, the Employer may terminate the HRA at any time. Upon termination, no further reimbursements will be made, and unused funds will be forfeited, except as required by law.

Article VI – Miscellaneous

6.1 HRA Interpretation

a. **Uniform Interpretation**: The provisions of this HRA will be interpreted and applied uniformly and in a nondiscriminatory manner with respect to all Participants and their Dependents.

b. **Complete Document**: This HRA should be read in its entirety, and no part of the document may be interpreted in isolation from the rest. Each provision is intended to complement the other sections of the Plan.

6.2 Written Document

a. **Written Requirement**: This HRA, along with any amendments, written documents, and records, is intended to satisfy the requirements of Code Section 105 and the associated Treasury regulations, ensuring compliance with federal tax law.

b. **Supplementary Documents**: Any supplementary written documents that may be required by law, such as amendments or summary plan descriptions, are incorporated into this HRA by reference and are considered part of the Plan.

6.3 Exclusive Benefit

a. **For the Benefit of Participants**: The HRA is established solely for the exclusive benefit of the Participants. All funds contributed to the HRA are intended to provide reimbursement for Qualifying Medical Expenses incurred by Participants.

b. **No Beneficiary Rights Outside the Plan**: Participants or their Dependents shall have no rights to any funds or assets of the Employer outside the specific benefits provided under the HRA.

6.4 Not an Employment Contract

a. **No Employment Rights**: Participation in this HRA shall not be deemed to constitute a contract of employment between the Employer and any Participant. Nothing in the HRA gives any Participant the right to remain employed by the Employer or limits the Employer's right to terminate employment.

b. **No Impact on Employment Decisions**: The establishment or continuation of this HRA does not affect the Employer's rights to make employment decisions, including termination, at its discretion.

6.5 Action by the Employer

a. **Employer's Authority**: Whenever the Employer is required or permitted to take any action under this HRA, such action must be taken by an authorized representative of the Employer, and in accordance with the Employer's usual business practices.

b. **Delegation of Authority**: The Employer may delegate its responsibilities and authority under this HRA to other officers, employees, or third parties in writing.

6.6 No Guarantee of Tax Consequences

a. **No Guarantee**: The Plan Administrator and the Employer do not guarantee that any reimbursements made under the HRA will be excludable from a Participant's gross income for federal or state tax purposes. The Employer makes no assurances about the tax treatment of HRA reimbursements under any local, state, or federal tax laws.

b. **Participant Responsibility**: It is the Participant's responsibility to determine whether each payment or reimbursement from the HRA is excludable from their gross income for tax purposes. The Participant should consult with a tax advisor if there are any questions regarding the tax implications of HRA reimbursements.

6.7 Indemnification of Employer by Participants

a. **Repayment for Improper Reimbursements**: If a Participant receives one or more payments under the HRA that are not for Qualifying Medical Expenses, the Participant agrees to indemnify and reimburse the Employer for any tax liabilities, penalties, or other costs incurred as a result of such improper payments.

b. **Limitations on Indemnification**: The amount of indemnification and reimbursement shall not exceed the additional federal and state income tax, penalties, and interest that the Employer would have incurred if the payments had been treated as regular wages.

6.8 Funding

a. **General Assets of the Employer**: Unless otherwise required by law, amounts contributed to the HRA by the Employer are not held in trust and are considered general assets of the Employer. Participants have no security or ownership interest in any fund or asset of the Employer from which HRA reimbursements may be made.

b. **Employer's Responsibility for Funding**: The Employer is solely responsible for funding the HRA in accordance with the Plan's provisions. Payments under the HRA will be made from the Employer's general assets unless other funding arrangements are specified.

6.9 Governing Law

a. **Compliance with Federal and State Law**: This HRA will be governed by and construed in accordance with the Internal Revenue Code, ERISA (where applicable), and the laws of the state of Pennsylvania without regard to its conflicts of law provisions.

b. **Federal Law Supremacy**: In cases where federal law supersedes state law, the HRA will be interpreted and enforced in compliance with applicable federal statutes and regulations.

6.10 Severability

a. **Invalid Provisions**: If any provision of this HRA is held to be invalid or unenforceable, that invalidity or unenforceability will not affect the remaining provisions of the HRA. The Plan will continue in effect as if the invalid or unenforceable provision had not been included.

b. **Partial Enforcement**: To the extent allowed by law, any invalid or unenforceable provision will be construed, reformed, or applied in a manner that is valid and enforceable.

6.11 Continuation of Coverage

a. **COBRA Rights**: In accordance with Code Section 4980B, Participants and their Dependents may have the right to continue coverage under this HRA in the event of a qualifying event, such as termination of employment or reduction in hours.

b. **Qualified Beneficiaries**: Continuation coverage is available to qualified beneficiaries (as defined in Code Section 4980B), and it will be provided in compliance with the federal COBRA requirements, including applicable premium payment obligations.

6.12 Health Insurance Portability and Accountability Act (HIPAA)

a. **HIPAA Compliance**: This HRA will be administered in accordance with HIPAA regulations to ensure that the privacy and security of protected health information (PHI) are maintained.

6.13 HIPAA Privacy Standards

a. **Privacy of PHI**: If subject to HIPAA's Privacy Standards, the HRA will only disclose PHI to authorized members of the Employer's workforce or third parties as necessary for the administration of the HRA.

b. **Safeguarding PHI**: PHI will only be disclosed to authorized persons and to the extent necessary for the performance of HRA administrative functions.

c. **Certification of Employer Compliance**: The Employer will certify that it will safeguard PHI and ensure that only authorized personnel have access to it, consistent with HIPAA requirements.

6.14 HIPAA Electronic Security Standards

a. **Protection of Electronic PHI**: The Employer will implement reasonable and appropriate administrative, physical, and technical safeguards to protect the confidentiality, integrity, and availability of electronic PHI as required by HIPAA's Security Standards.

b. **Compliance by Agents**: The Employer will ensure that any agents or subcontractors to whom electronic PHI is provided will implement reasonable and appropriate security measures to protect such information.

Appendix A - HRA Plan Benefits

Single Participant Coverage

- **Qualified Expenses**: All qualified expenses for the HRA must first be processed through the alternate employer's group medical insurance plan in which participants are covered. Services which are denied coverage under the alternate employer's group medical insurance plan will not be deemed qualified expenses for the HRA. Qualified expenses fall into the areas below:
    - Deductibles – In-Network and Out-of-Network
    - Co-insurance – In-Network and Out-of-Network
    - Copayment – In-Network and Out-of-Network
    - Rx Drugs – In-Network and Out-of-Network

- **Reimbursement Schedule**:
    - The Employee pays the first $1,700 of qualifying expenses.
    - The HRA reimburses up to $8,900 for additional qualifying expenses.

- **Unused HRA Funds**
    - Any unused funds at the end of the Coverage Period will be forfeited.

Multiple Participant Coverage

- **Qualified Expenses**: All qualified expenses for the HRA must first be processed through the alternate employer's group medical insurance plan in which participants are covered. Services which are denied coverage under the alternate employer's group medical insurance plan will not be deemed qualified expenses for the HRA. Qualified expenses fall into the areas below:
    - Deductibles – In-Network and Out-of-Network
    - Co-insurance – In-Network and Out-of-Network
    - Copayment – In-Network and Out-of-Network
    - Rx Drugs – In-Network and Out-of-Network

- **Reimbursement Schedule**:
    - The Employee pays the first $3,400 of qualifying expenses.
    - The HRA reimburses up to $17,800 for additional qualifying expenses.

- **Unused HRA Funds**
    - Any unused funds at the end of the Coverage Period will be forfeited.

Appendix B – Claims and Appeals

B.1 Claims Process

B.1.1 Submission of Claims

- Participants must submit claims for reimbursement of Qualifying Medical Expenses to the Claims Administrator. Claims should follow the documentation processes and standards as laid out in the Claim Submission Form. See Appendix D for details.

B.1.2 Timeframe for Submission

- Claims for reimbursement must be submitted within 90 days following the end of the Coverage Period.
- Claims for terminated employees must be submitted within 90 days following the end of the month of termination. Any claims submitted after this period will be forfeited.

B.1.3 Reimbursement of Claims

- Upon receipt of a properly documented claim, the Claims Administrator will review and process the claim as soon as administratively practicable.
- Payments for eligible claims will be made by check or direct deposit to the Participant if they are enrolled in direct deposit. The Participant is responsible for paying the provider for any amounts not covered by the HRA.

B.1.4 Denial of Claims

If a claim is denied, the Participant will receive a written notice of the denial, which will include:

- Specific reasons for the denial.
- Reference to the specific Plan provisions on which the denial was based.
- A description of any additional information or material required to perfect the claim and why such information is necessary.
- A description of the Plan's review and appeals procedures, including deadlines for filing an appeal.

B.2 Appeals Process

If a claim is denied, either in whole or in part, the Participant has the right to appeal the decision. The appeals process consists of two levels:

B.2.1 Level One Appeal

a. **Filing a Level One Appeal**
Participants must file a written appeal within **180 days** of receiving the initial denial notice. The appeal should include:

- Documents or records supporting the appeal, such as the original claim, the denial notice, and any additional documentation or explanations that may support the claim.
- A written statement of the reasons why the Participant believes the claim should be approved.

b. **Review of Level One Appeal**

- The Claims Administrator will review the Level One Appeal and respond within **30 days**, extended by reasonable time if necessary.
- The written response will explain the decision, including specific references to Plan provisions and reasons for the denial or approval.

B.2.2 Level Two Appeal

a. **Filing a Level Two Appeal**
If the Level One Appeal is denied, the Participant may file a Level Two Appeal within **60 days** of receiving the Level One denial notice. The Level Two Appeal must be submitted to the Employer (or its designated representative).

b. **Review of Level Two Appeal**

- The Employer (or its representative) will review the Level Two Appeal, taking into account all documents, records, and comments submitted by the Participant.
- The Employer will provide a written decision on the Level Two Appeal within **30 days** after receiving the appeal (extended by reasonable time if necessary). The Employer has the exclusive right to interpret the applicable Plan provisions, and its decision is final and binding.

c. **Final Decision**

- If the Participant disagrees with the Level Two decision, they may have the right to pursue legal action under ERISA Section 502(a) after exhausting the Plan's internal appeal procedures.
- The Participant may also request, free of charge, access to and copies of all documents and information relevant to the claim.

B.3 Filing an Appeal

Participants may submit their Level One and Level Two appeals by email, fax, or mail to the following contact details:

- **Email**: HRA@EnrollmentManagementServices.com (send via secure or encrypted message only)
- **Fax**: 513-718-2637
- **Mail**: Enrollment Management Services, P.O. Box 43146, Cincinnati, OH 45243

Participants must indicate "Level One Appeal" or "Level Two Appeal" on the subject line or in the letter to ensure the proper handling of the appeal.

Execution Agreement

IN WITNESS WHEREOF, Delhi Township has caused this Health Reimbursement Arrangement Plan to be duly executed by its authorized officer on the date set forth below, to be effective as of 01/01/2026

Client Name: Delhi Township

Sign: _____

Name: _____

Title: _____

Date: _____