Your Guide to the
Enhanced Sick Leave Program and Health Reimbursement Account
For Employees Represented by:

Hawaii Nurses Association (participating in the National Agreement)

This Summary of Material Modification (SMM) brochure contains a detailed explanation of the new Enhanced Sick Leave Program and the Health Reimbursement Account (also known as a Health Reimbursement Arrangement) and provides concise information and answers to frequently asked questions about these new benefits. The SMM also updates your Summary Plan Description (SPD). Please read it carefully and keep it with your records for future reference.

The information described herein is a summary of benefits going into effect at the time of printing. In case of any omission or conflict between what is written in this document and what is written in the plan documents, contracts, or agreements, the plan documents, contracts, or agreements always govern.

Kaiser Permanente reserves the right to modify, amend, change, replace, or terminate the benefit plan described in this brochure at any time. Benefits may be modified or eliminated through the negotiation process, as well. You will be advised of any significant changes in your benefit program.
Changes to Your Benefits

We are pleased to announce two new benefits for employees represented by the Hawaii Nurses Association participating in the National Agreement: the Enhanced Sick Leave Program and the Health Reimbursement Account. Information in this brochure will provide you with details about both new benefits. The Enhanced Sick Leave Program section begins on page 2, and the Health Reimbursement Account section begins on page 9.

Take the time to read and know your benefits, and keep this brochure, which serves as a Summary of Material Modification (SMM), for future reference.

Important note: This SMM includes information about your new Annual Sick Leave Cash-Out option that will occur in November 2010. You must take action during the upcoming November election period, which is November 1 through November 21, 2010, if you wish to make a cash-out election. For details on the election process, please see page 4.

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YOUR ENHANCED SICK LEAVE PROGRAM

The Enhanced Sick Leave Program provides you with flexibility in the way you use your sick time. The new provisions are beneficial to you and your colleagues because they reward you for good attendance, while preserving sick leave to use when you are ill or injured. In addition, you will have the opportunity to make cash-out elections for sick leave hours you do not use.

Who Is Eligible

If you are an employee represented by the Hawaii Nurses Association (HNA) participating in the National Agreement and are regularly scheduled to work 20 or more hours per week in a benefits-eligible status (including part-time quarterly employees), you are eligible for the sick leave enhancements.

New Sick Leave Accounts

Effective December 26, 2010, which is the beginning of the first pay period of 2011, you will have the following new sick leave accounts:

1) An Annual Sick Leave (ASL) account, which will contain your sick leave accrued and not used in that payroll year, and

2) A Banked Sick Leave (BSL) account, which will consist of two banks as outlined below. You may use your BSL when you are ill or injured after you exhaust your ASL. You may also use your BSL without exhausting your ASL first, when you are hospitalized or for statutory leaves such as the Family and Medical Leave Act (FMLA) for your own illness.

Please note: You will be able to see the new sick leave accounts on the My HR website at http://insidekp.kp.org/myhr under the My Profile link.

Breakdown of Banked Sick Leave Balances

Your overall Banked Sick Leave account will include two different balances (banks) as outlined below:

Post-Sick Leave Bank

Beginning with the first pay period of 2011, any unused sick leave hours in your Sick Leave account that accrued in 2010 as an employee represented by the HNA participating in the National Agreement will be moved to the post-Sick Leave Bank under your new Banked Sick Leave (BSL) account. In addition, each year thereafter, as long as you remain eligible, your unused sick leave hours and any Annual Sick Leave (ASL) hours you did not cash out will be rolled over to this post-Sick Leave Bank. The available hours will be displayed on My HR under the My Profile link as well as on your pay statement as BKS POST.

Pre-Sick Leave Bank

All sick leave hours, including unused hours accrued prior to 2010, will be moved to the pre-Sick Leave Bank under your new BSL account. The available hours will be displayed on My HR under the My Profile link as well as on your pay statement as BKS PRE. You must exhaust your pre-Sick Leave Bank hours before you use your post-Sick Leave Bank hours.

Remember, all unused ASL hours that are not cashed out will be automatically rolled over to your BSL account at 100% of value.
Enhanced Sick Leave Program

Annual Sick Leave Accruals

You will continue to accrue your Annual Sick Leave (ASL) hours on a bi-weekly basis. You start accruing ASL on your date of hire or in a benefits-eligible status for sick leave. You are eligible to use sick leave after three months of continuous service.

If you are a regular part-time scheduled employee, your ASL accrual will be prorated based on your scheduled hours. Adjustments based on actual hours worked will be made on a bi-weekly basis. This is to ensure that if you work more than your original regularly scheduled hours during the preceding pay period, you are credited with the appropriate additional sick leave hours.

If you are a regular part-time quarterly employee, your ASL accrual will be prorated based on your prior quarter’s full-time equivalent hours.

Annual Sick Leave Usage

You may use your Annual Sick Leave for your own illness or injury. Your current Collective Bargaining Agreement provisions and any department policies and procedures for requesting/notifying your manager/supervisor of your appointments continue to apply.

Annual Sick Leave Cash-Out Options

In November each year, if you meet the Annual Sick Leave Cash-Out eligibility requirements, you may make an irrevocable cash-out election of a portion of the Annual Sick Leave (ASL) hours you will accrue in the following plan year with the cash-out occurring during the second pay period of the year following the completion of the plan year. So, for this initial election period, you may make an election in November 2010, based on hours accrued in 2011, and receive a cash-out, if eligible, in January 2012. You must be in an Active or Paid Leave status in order to be eligible to make a cash-out election.

- If you are a full-time employee, you may elect to cash out up to 80 hours of unused ASL hours (prorated for part-time employees) and receive a payout of these hours at 50% or 75% of value depending on eligibility, or roll over any unused hours at 100% of value to your Banked sick Leave (BSL) account. You may also choose a combination of the two options.

Here’s how your cash-out will work. Your ASL account balances will be evaluated after the last pay period of the year. At the time of this evaluation:

1. If your post-Sick Leave Bank equals or exceeds a full year’s ASL award, you will receive your cash-out at the 75% of value payout level.
2. If you do not qualify for the 75% of value payout level but your overall available BSL balance (combined post-Sick Leave Bank and pre-Sick Leave Bank) is equal to or greater than 80 hours (prorated for part-time employees) but less than a full year’s ASL award, your cash-out will be at the 50% of value payout level.
3. If you do not have enough hours in your BSL account for either payout level by the last pay period of the year, your unused ASL hours will be first applied to your post-Sick Leave Bank in order to make you eligible for the 50% payout level, if possible. And then any remaining eligible unused ASL hours that you have elected to cash out will be paid out at the 50% of value payout level.

Important note: If you do not meet the minimum BSL account balance requirement, you will not receive a payout even if you make an election during the Annual Sick Leave Cash-Out election period.
How to Make Your November 2010 Annual Sick Leave Cash-Out Election

To make your Annual Sick Leave Cash-Out election during November, follow the steps below:

- Sign on to the Annual Sick Leave Cash-Out Election Tool at http://insidekp.kp.org/cashout from home or work with your My HR account (NUID and password). You may also sign on to the election tool through the My HR website at http://insidekp.kp.org/myhr and follow the link from that site.

- If you do not have access to a computer, call 1-888-508-0005 Monday through Friday between 8 a.m. and 4:30 p.m. Pacific Standard Time and a representative will help you make your election. Keep in mind that because the election period ends on a Sunday, a representative will be available only until Friday, November 19, 2010.

- Enter the number of hours you want to cash out in the designated box. The hours posted as Estimated 2011 Annual Sick Leave Award Eligible for Cash-Out Election on the election tool may be designated for a cash-out election, up to a maximum of 10 days (80 hours) for full-time employees, prorated for part-time employees based on their standard hours at the time of evaluation.

  **Important:** Making an election does not guarantee that you will receive a payout in 2012. Your eligibility will be determined at the end of the payroll year in 2011. If you meet the minimum Banked Sick Leave (BSL) hours requirement for either the 50% or 75% options and have enough unused Annual Sick Leave (ASL) hours, you will receive your cash-out election amount in the second pay period in January 2012. Otherwise, any unused ASL hours will be rolled over at 100% of value to your post-Sick Leave Bank.

- Confirm your cash-out election and click **SUBMIT**. You will be provided with a transaction confirmation number. Please keep this number for your records.

- If you change your mind about your election any time during the election period, sign on to the website again and make your changes. You have until 4:30 p.m. Pacific Standard Time on November 21, 2010 to make or change your election. The last transaction on file on November 21, 2010 will be processed.

- If you meet the eligibility requirements, the cash-out amount will be paid to you during the second pay period of 2012 as part of your regular paycheck.

  **Important:** At the end of the election period, the hours you designate as a cash-out will be ‘earmarked’ for evaluation and then paid out at the beginning of the 2012 payroll year. But, the hours will continue to be available for you to use throughout the year. However, if you do not meet the minimum Banked Sick Leave hours account balance requirement at the time an assessment is made, any remaining unused Annual Sick Leave hours will be rolled over at 100% of value to your post-Sick Leave Bank account. Remember, only unused Annual Sick Leave hours are eligible to be cashed out. If you have used some or all of your Annual Sick Leave hours before the cash-out date, your cash-out will be reduced to reflect the available number of eligible hours remaining. You will not be paid out the remainder of your election at a later time.
Sick Leave and the Health Reimbursement Account

Unused sick leave that is eligible for the Health Reimbursement Account (HRA-convertible) will be used to fund your Health Reimbursement Account (HRA).* If you are eligible for the HRA, here's how your unused sick leave banks and the HRA work together:

- Your sick leave hours accrued and unused in 2010 will be moved to the post-Sick Leave Bank. This is the HRA-convertible Sick Leave Bank. Going forward, any unused Annual Sick Leave hours will be rolled over to the post-Sick Leave Bank unless you choose to cash them out.
- All other sick leave hours are moved to the pre-Sick Leave Bank. The hours in this bank are not HRA-convertible.
- Beginning with the first pay period of 2011, your sick leave hours will accrue under the Annual Sick Leave bank. Hours in this bank are HRA-convertible.

*For more information, see the Health Reimbursement Account section which begins on page 9.

FREQUENTLY ASKED QUESTIONS

Sick Leave Accounts

Q1. What is the difference between the two sick leave accounts: Annual Sick Leave versus Banked Sick Leave?
A1. Your Annual Sick Leave account holds your current year’s sick leave hours, which you will accrue bi-weekly. The Banked Sick Leave account is made up of two parts: 1) A post-Sick Leave Bank that will hold any unused sick leave hours in your Sick Leave account that accrued in 2010 and thereafter as an employee represented by the HNA participating in the National Agreement; and 2) A pre-Sick Leave Bank for all other sick leave, including unused sick leave hours that were accumulated and unused prior to 2010.

Q2. When may I use my Annual Sick Leave hours?
A2. You may use your Annual Sick Leave when you are ill or injured provided you have at least three months of continuous service (there is no waiting period if you already have three months of continuous service).

Q3. When may I use my Banked Sick Leave hours?
A3. You may use Banked Sick Leave hours if you are ill or injured after you exhaust the hours in your Annual Sick Leave account. For statutory leaves such as Family Medical Leave for your own illness, etc., or if you are hospitalized, you may use Banked Sick Leave right away without exhausting your Annual Sick Leave.

Please note that in all cases, you will use your pre-Sick Leave Bank hours before using the post-Sick Leave Bank hours in your Banked Sick Leave.
Q4. How many hours of sick leave will I receive each year?
A4. If you are a full-time employee, you will accrue 3.70 hours of sick leave per pay period. If you are a part-time employee regularly scheduled to work less than 40 hours per week or you are an employee on a quarterly schedule, you will receive a prorated amount.

Q5. If I take sick leave in the last week of the year, from which sick leave account will those hours be taken?
A5. Due to the bi-weekly payroll schedule, the first pay period of each payroll year usually starts in December of the previous year. Any days taken on or after the first day of the first pay period of the new payroll year are counted against your Annual Sick Leave accrual of that new year.

Q6. I am scheduled to work a 10-hour day. If I need to take a sick day, will I be paid for 10 hours for the day?
A6. Yes. If you have enough hours in your Annual Sick Leave account, you will receive 10 hours for the day.

Q7. May I request a financial hardship withdrawal from my sick leave accounts?
A7. No. Neither Annual Sick Leave nor Banked Sick Leave hours are eligible for financial hardship withdrawals.

Q8. How many Annual Sick Leave hours may I elect to cash out each year?
A8. If you are a full-time employee, you have the option to cash out a maximum of 80 hours of Annual Sick Leave provided you have 80 hours in your Banked Sick Leave. If you are a part-time employee regularly scheduled to work less than 40 hours per week or if you are an employee on a quarterly schedule, the maximum number of hours you may cash out is prorated. See page 4 for additional details about the cash-out process.

Q9. Do I have options with my unused Annual Sick Leave hours other than cashing them out at 75% or 50% of value?
A9. Yes. You have the option of rolling over any unused Annual Sick Leave hours to your post-Sick Leave Bank at 100% of value (see Q10).

Q10. When am I eligible for a 75% versus a 50% cash out?
A10. Here’s how your payout level will be determined:

- For a **75% payout** of elected hours: You have the option of cashing out up to 80 hours at 75% of value provided your post-Sick Leave Bank equals or exceeds your full year’s accrued Annual Sick Leave (ASL) at the time of evaluation and prior to any transfer (rollover) of sick leave hours from your ASL account.

- For a **50% payout** of elected hours: If you do not qualify for the 75% of value cash-out but your overall available Banked Sick Leave (BSL) balance (combined post-Sick Leave Bank and pre-Sick Leave Bank) is equal to or greater than 80 hours (prorated for part-time employees) in the last pay period of the year, then you qualify for the 50% payout level. If you do not have enough hours in your BSL for the 50% payout level by the last pay period of the year, then your unused ASL hours will be first applied to your post-Sick Leave Bank to make you eligible for the 50% payout level, if possible. Any remaining unused ASL hours that you have accrued for a cash-out will be paid out at 50% of value.
Q11. When does the cash-out occur?
A11. The cash-out is scheduled to occur during the second pay period of each year (remember, your election is made in the year prior to when the hours were awarded).

If you terminate, retire, die, or are on unpaid leave of absence on or before the last day of the pay period at the end of the payroll year (pay period 26), you are not eligible for a cash-out. Your election will be deemed invalid at the time of your status change.

Q12. What will happen to my unused Annual Sick Leave hours and my accumulated Banked Sick Leave hours if I change to a non-sick leave benefited status (e.g., from full-time to call-in)?
A12. If you have a change in your employment status and no longer qualify to accrue sick leave, your participation in the Enhanced Sick Leave Program will end, and unused Annual Sick Leave (ASL) hours along with your pre- and post-Banked Sick Leave (BSL) hours will become unavailable for use (inactive). You will neither accrue nor be able to use any paid sick leave hours. If you subsequently become a benefits-eligible employee represented by HNA and eligible to participate in the Enhanced Sick Leave Program, those inactive hours will be made available to you, moved to the pre-Sick Leave Bank, and you will start accruing Annual Sick Leave hours from your new eligibility.

Q13. What will happen to my unused Annual Sick Leave hours and my accumulated Banked Sick Leave hours if I am no longer an employee represented by the HNA?
A13. If you are no longer in a position represented by the HNA participating in the National Agreement but are eligible to participate in a sick leave program, you will be eligible to use your sick leave hours under your new sick leave plan rules, provided you meet the eligibility requirements.

Time Off, Vacation and Holidays

Q14. Are there any changes to my recognized holidays and floating holiday?
A14. No. You continue to have the same recognized holidays and floating holiday as before.

Q15. Are my vacation hours affected in any way?
A15. No. You will continue to accrue your vacation as per the provisions of your local Collective Bargaining Agreement.
Other Information

Q16. Will I be able to see all my account balances on my pay statement (i.e., Annual Sick Leave, Banked Sick Leave)?
A16. You will be able to see your new account balances on My HR under the My Profile link and on your pay statement. Here’s how they will be displayed as of your first 2010 pay statement:
- Pre-Sick Leave Bank (pre-2010 hours)—displayed as “BKS PRE”
- Post-Sick Leave Bank (post-2009 hours)—displayed as “BKS POST”
- Annual Sick Leave—displayed as “SICK/ESL BALANCE”

Q17. What is the process to request time off?
A17. Any process you have in place to request time off in your department continues to apply. You may refer to your Collective Bargaining Agreement and manager for more information.

Q18. Will I be eligible to make a cash-out election or receive a cash-out if I transfer to a position not covered by the HNA Collective Bargaining Agreement participating in the National Agreement?
A18. It depends on the new union or group to which you are transferring. If you transfer to another Labor Management Partnership (LMP) union that participates in the Attendance Program and cash-out plan, you will still be eligible for a cash-out election, evaluation, and payment, provided you meet the eligibility criteria in your new position. If you transfer to a non-LMP union or to an LMP union that does not participate in the Attendance Program and cash-out plan, or to a non-union position, you will not be eligible to participate in the cash-out program.

Q19. Will I be eligible to receive my cash-out election if I terminate my employment after I make a cash-out election?
A19. If you retire, terminate, die, or are in an Unpaid Leave status on or before the last day of the pay period of the payroll year, you will not be eligible for a cash-out. In order to be eligible to receive your cash-out, you must be in either Active or Paid Leave status as of the last day of the pay period of the payroll year.

Q20. Whom do I call if I have additional questions about these enhancements to the sick leave program?
A20. During the election period (November 1-21, 2010), you may contact the Annual Sick Leave (ASL) Cashout Helpline at 1-888-508-0005 Monday through Friday from 8 a.m. to 4:30 p.m. Pacific Standard Time.
After the election period ends and if your question has not been addressed here, sign on to the My HR website at http://insidekp kp.org/myhr or contact the Human Resources Service Center at 1-877-4KP-HRSC (1-877-457-4772).
Health Reimbursement Account

HEALTH REIMBURSEMENT ACCOUNT

Effective January 1, 2011, Kaiser Permanente will provide a new health benefit for eligible employees who terminate employment with Kaiser Permanente—the Health Reimbursement Account (HRA). The HRA, which is also referred to as a Health Reimbursement Arrangement, allows you and your eligible dependents to pay for out-of-pocket qualified medical, dental, vision and hearing care expenses, as well as premiums paid to a Kaiser Permanente medical plan,* on a tax-free basis. The HRA was also designed to help improve attendance which, in turn, will help us provide high-quality care to our members.

When you become eligible to participate in the HRA, Kaiser Permanente will open an account for you and convert your HRA-eligible accrued, unused sick leave hours at 80% of value, and deposit that amount into your HRA account.

Ceridian is the third-party administrator of the HRA. Administrative fees for the HRA are covered entirely by Kaiser Permanente and are part of your benefits package.

Who Is Eligible

You are eligible for the HRA if you terminate employment with Kaiser Permanente on or after January 1, 2011 and you meet all of the following requirements:

- You are at least age 55 when you terminate employment with Kaiser Permanente**
- You have 15 or more years of service as defined by your Kaiser Permanente-sponsored defined benefit pension plan, or the applicable defined benefit plan under the union trust, when you terminate employment with Kaiser Permanente**
- You are eligible for Kaiser Permanente employee medical coverage on your last day of employment (you do not need to be enrolled in the plan). If you are on an approved unpaid leave of absence at the time of your termination or retirement, you must be eligible for Kaiser Permanente employee medical coverage on the last day prior to the start of your unpaid leave of absence.
- Your employee group participates in the HRA program

*If you reside in an area where a Kaiser Permanente medical plan is not offered, you may submit premiums for a non-Kaiser Permanente medical plan to the HRA for reimbursement. You will be required to submit additional documentation with your claim form. See Additional Documentation on page 14 for more information.

** If you qualify for disability retirement under your defined benefit pension plan, the HRA age and service requirements are waived.
Eligible Dependents

For purposes of the HRA, your dependent is any individual who is your tax dependent as defined in the Internal Revenue Code (IRC). Please note that the definition of dependents for the HRA may differ from what is used for your medical and dental coverage, or when determining your personal income taxes.

The definition of eligible dependents is explained below:

- Your legal spouse, unless you are divorced or legally separated. Your spouse must be someone of the opposite sex to whom you are legally married under federal law.
- Your domestic partner/reciprocal beneficiary and his or her children under age 26, are considered eligible dependents for this plan only if they qualify as a dependent on your federal income taxes. You may not use your HRA account to pay expenses for the child of your domestic partner/reciprocal beneficiary if your domestic partner/reciprocal beneficiary claims the child as a dependent on his or her tax return, per the IRC.
- Your unmarried dependent children under age 26. If you are divorced, your children will be considered eligible under the plan if you are responsible for your children’s support and have custody of your children for more than half of the calendar year, per the IRC.

You may want to contact your tax advisor if you have questions about an individual’s qualification as your dependent.

Your HRA Account

You do not need to take any action to enroll in the HRA. If you are eligible for the HRA, Kaiser Permanente will establish an HRA account for you. You will become a participant in the HRA the first of the month following the date of your employment termination.

Any reimbursements you receive from your HRA account are not taxable to you. In addition, any money remaining in your account at the end of the year remains available to you for future use, as long as you are still a participant in the HRA and you have eligible dependents.

Kaiser Permanente’s Contributions

Kaiser Permanente contributes to your HRA based upon the total number of accrued, unused HRA-convertible sick leave hours you have at the time you terminate employment or retire from Kaiser Permanente. The number of hours you have are multiplied by your straight-time hourly wage as of the date of your termination or retirement, and 80% of the value of these hours is contributed to your HRA. This means that all of your unused Banked Sick Leave accrued in 2010 and thereafter will be converted at 80% of value and deposited into your HRA.

A minimum of $100 is required to establish an account for you. There is no maximum balance. If your sick leave conversion value at termination or retirement is less than $100, Kaiser Permanente will not establish an account for you.

If you are eligible for an HRA, you will receive a Welcome Kit from Kaiser Permanente. You will also receive a Notification of Enrollment from Ceridian when Kaiser Permanente opens an account for you. The notification will include Kaiser Permanente’s contribution amount to your HRA. Generally, you will receive notification within two months of your retirement or termination.

Please note: You cannot contribute to your HRA account. Once you exhaust Kaiser Permanente’s contribution amount, your HRA account will be closed.
Eligible Expenses

The IRS determines which expenses are eligible for reimbursement. If a particular service is covered by your Kaiser Permanente medical plan, you may still submit your copayments to the HRA for reimbursement. If you use your HRA to pay for eligible expenses, you cannot take a tax deduction on your income tax return for the same expenses.

Please note: You may be reimbursed for medical premiums when they are paid to Kaiser Permanente for a Kaiser Permanente-sponsored medical plan only. Such plans include Kaiser Foundation Health Plan (KFHP) and Kaiser Permanente Senior Advantage. Premiums you pay for a non-Kaiser Permanente medical plan are not reimbursable through the HRA, unless you live in an area where a Kaiser Permanente medical plan is not available.

Here are some of the most common HRA eligible expenses:

- Acupuncture
- Alcoholism or drug dependency treatment
- Ambulance services
- Artificial limbs
- Birth control pills
- Body scans
- Braille books and magazines (in excess of the cost of a regular edition)
- Car controls for the handicapped
- Chiropractic care
- Contact lenses and solutions
- Dental deductibles and/or copayments
- Dental implants, dentures and adhesives
- Dental treatment (excludes bleaching or whitening)
- Dermatologist fees
- Diagnostic tests
- Equipment for the disabled
- Glucose kits (including test strips)
- Guide dog, service animal expenses (with a physician statement)
- Hearing aids and batteries
- Hearing exams and treatment
- Hospital services Inpatient care (includes meals, but not phone and TV)
- Immunizations
- Infertility treatments
- Insulin
- Insulin pump
- Lab and X-ray fees
- Lamaze classes (mother’s cost only)
- Lasik eye surgery
- Learning Disabilities tuition or services with a physician’s statement
- Long-term care insurance expenses for medical care
- Medical and Nursing services, treatment in nursing home
- Medical insurance copayments
- Medical insurance premiums paid for a Kaiser Permanente medical plan only*
- Medicare premiums
- Midwife
- Mileage to and from Medical services
- Optometrist and Ophthalmologist fees
- Organ transplants
- Orthodontia treatment
- Orthotics
- Osteopath fees
- Over-the-counter medical supplies and equipment
- Oxygen and oxygen equipment
- Physical exams
- Physical therapy
- Premiums paid under the Consolidated Omnibus Budget Reconciliation Act (COBRA)
- Prescription: Eyeglasses, sunglasses, and reading glasses (excluding sunglass clips)
- Prescription medicines and drugs that are legal in the U.S.
- Psychiatric and Psychologist fees
- Radial Keratotomy and vision correction
- Smoking cessation programs
- Speech Therapy
- Sterilization
- Surgery (medically necessary and legal)
- Telephone for hearing impaired (in excess of the cost of a regular telephone)
- Weight-loss programs (with a physician statement to treat a specific medical condition)
- Wheelchair and upkeep costs
Additional federal limits may apply. For a full list of HRA exclusions, contact Ceridian at 1-866-370-2534 or visit their website at www.ceridian-benefits.com.

Expenses Not Covered

The following are some of the expenses that are not eligible for reimbursement from your HRA:**

- Baby-sitting expenses due to doctor visits
- Baldness treatments or hair transplants
- Breast pump rental or purchase
- Cosmetic surgery, procedures, services, and products (non-medically necessary)
- Dancing lessons
- Dental veneers or bonding (non-medically necessary)
- Diet foods
- Electrolysis
- Electronic toothbrushes
- Exercise equipment
- Family/marriage counseling
- Funeral services
- Health club dues and memberships
- Herbal and holistic drugs or remedies
- Marijuana or other controlled substances (even for medical purposes)
- Maternity clothes
- Medical insurance premiums paid for a non-Kaiser Permanente medical plan*
- Swimming lessons
- Teeth bleaching, whitening
- Vacation expenses (even if recommended by a doctor)
- Varicose vein cosmetic procedures

*If a Kaiser Permanente medical plan is not available in your area, premiums for you plan may be reimbursable (see Additional Documentation on page 14).

**Additional Expenses Not Covered: Over-the-counter drugs or medications (except insulin) that do not require a prescription or physician’s statement, which include but aren’t limited to the following: cough, cold and flu medicine, allergy and sinus medicine, diabetic management medications, eye drops, pain relievers, toothache remedies, and topical products (Bengay®, Neosporin®).
Managing Your HRA Account

Once Kaiser Permanente opens an HRA account for you, you can manage your account online. Remember: An HRA will be set up for you when you terminate or retire from Kaiser Permanente and meet all of the eligibility requirements. You will receive additional details about your account and how to manage it when you become eligible, but for now, here’s a brief overview.

Managing your account is very easy! Just follow the steps below.

- Go to www.ceridian-benefits.com
- Log on using your Social Security number (SSN) with dashes.
- Your initial password/PIN (personal identification number) is the last four numbers of your SSN reversed. After your initial log on, you will be prompted to change your Log-on ID and your password/PIN. You will need both your Log-on ID and your password/PIN to access your account in the future.
- On the home page, click the links or tabs to access the various pages.

Online Information

You’ll find the following information on Ceridian’s Health Reimbursement Account website:

- **File Claims**: This tab will allow you to submit claims for eligible expenses.
- **My Account**: This is where you view your profile, account balance, and payment history.
- **Plans**: This tab will give you a description of the HRA and related documents.
- **Forms**: This is where you download forms like the direct deposit, physician’s statement, personalized claim forms, etc.

If you forget your Log-on ID and/or password or do not have access to the Internet, please call Ceridian’s customer service center at 1-866-370-2534, Monday through Friday between 5 a.m. and 5 p.m. Pacific Time.

When Your Account Closes

Your HRA will be closed and benefits terminated when any of the following conditions are met:

- When your account balance reaches zero ($0)*
- When your account is abandoned**
- Upon your death, if you have no surviving eligible dependents
- Upon the death of your surviving eligible dependents
- It is determined that you are not eligible for an HRA.

When you exhaust the funds in your HRA account and you do not have any additional HRA-convertible sick leave, your account will reach a zero balance and be closed. You cannot contribute to your HRA account.

*You will receive quarterly statements of your account from Ceridian.

**Abandoned means that the plan administrator has not been able to make contact with you during a three-year Plan Year period at your last known address, and no distributions were made during the immediate prior three Plan Years. (A Plan Year is January 1-December 31.) A participant’s account is not considered abandoned during periods of Kaiser Permanente re-employment.
How to Submit Claims

You submit claims to and receive reimbursement from Ceridian. When Kaiser Permanente opens an HRA account for you, you will receive claim forms to use when you submit expenses for reimbursement. You can also obtain claim forms from Ceridian's customer service center at 1-866-370-2534 and from their website, www.ceridian-benefits.com. In order for expenses to be eligible for reimbursement, you must incur them while you are actively participating in the HRA.

According to Internal Revenue Service rules, an expense is considered incurred when service is actually received, not when you are billed or when you pay for the service. In addition, claims must be submitted within 60 days of the date the service was incurred.

In general, here is how the reimbursement process works:

- You pay for eligible health care expenses out-of-pocket, as they are incurred. Then you submit a claim form, along with your original or photocopied receipt(s) and/or Explanation of Benefits (EOB), as necessary, to Ceridian. Also include the date of service, amount paid for the service, provider name, and type of service with your claim.
- You may fax your claim to 1-866-717-3820, or if you prefer, mail to:
  
  Ceridian FSA Services
  P.O. Box 534200
  St. Petersburg, FL 33747-4200
- You receive your reimbursement either by check or direct deposit.
- You may check on the status of your claim or payment online at www.ceridian-benefits.com.

Additional Documentation

You must provide proof and receipts with all eligible expenses when you file a claim for reimbursement. If your receipt does not specify the name of the medicine or drug, you'll need to handwrite the name on the receipt next to the amount. For some claims you may need to provide an EOB from your insurance company showing the date and amount of service, the provider, and type of service.

If you submit a claim for reimbursement for a non-Kaiser Permanente premium, you must provide additional documentation substantiating your claim, along with the Eligibility for Reimbursement of Non-Kaiser Permanente Insurance Premiums form. You may download this form from the Ceridian website or call Ceridian to request one.

Timing of Claim Determinations

Certain time limits apply when processing claims for benefits. Ceridian will notify you if your claim is denied within 30 days after receipt of your claim. A 15-day extension may be allowed to make a determination, provided Ceridian (or Kaiser Permanente) determines that the extension is necessary because of matters beyond its control. If such an extension is necessary, Ceridian will notify you before the end of the 30-day period of the reason(s) requiring the extension and the date it expects to provide a decision on your claim.

If such an extension is necessary because you did not submit the necessary information, the notice of extension will describe the information that is required. You will then have 45 days to provide this additional information. Ceridian will make a decision within 15 days after receiving this additional information or, within 15 days after the expiration of the 45 day claimant deadline, whichever is earlier.
If Your Claim Is Denied

If all or part of your claim is denied, Ceridian will send you a written notice. This notice will explain the following:

- The reasons for the denial, including references to specific Plan provisions upon which the denial was based.
- If the claim was denied because you did not furnish complete information or documentation, the notice will specify the additional materials or information needed to support the claim and an explanation of why the information or materials are necessary.
- If the claim is denied based on an internal rule, guideline, protocol, or other similar criterion, the notice will either (a) state the specific rule, guideline, protocol, or other similar criterion, or (b) include a statement that the rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination and that a copy of the rule, guideline, protocol, or other criterion will be provided free of charge upon request.
- If the claim is denied based on a medical necessity or similar exclusion or limit, the notice will also include an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the medical circumstances, or will include a statement that such explanation will be provided free of charge upon request.
- The notice will also state how and when to request a review of the denied claim.
- The notice will also contain a statement of your rights to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974 (ERISA) following an adverse benefit determination following completion of all levels of review.

How to Appeal a Denied Claim

You may appeal a denied claim by submitting a written request for review to Ceridian. You must make the appeal request within 180 days after the date of the denial notice. Send the written request to Ceridian at the following address:

Ceridian
P.O. Box 534200
St. Petersburg, FL 33747-4200

Alternatively, you may fax your appeal to 1-866-717-3820.

The request must explain why you believe a review is in order, and it must include supporting facts and any other pertinent information. Ceridian may require you to submit such additional facts, documents, or other material as it may deem necessary or appropriate in making its review.

Procedures on Appeal

As part of the review procedure, you may submit written communications, documents, records, and other information relating to the claim. Upon request and free of charge, you will be provided reasonable access to, and copies of, all documents, records, and other information (other than legally or medically privileged documents) relevant to your claim. For this purpose, a document, record, or other information is treated as “relevant” to your claim if it:

- Was relied upon in making the benefit determination
- Was submitted, considered, or generated in the course of making the benefit determination, regardless of whether such document, record, or other information was relied upon in making the benefit determination
- Demonstrates compliance with the administrative processes and safeguards required in making the benefit determination
- Constitutes a statement of policy or guidance with respect to the plan concerning the denied benefit for your diagnosis, regardless of whether such statement was relied upon in making the benefit determination.
Ceridian will review the claim, taking into account all comments, documents records, and other information submitted relating to the claim, without regard to whether such information was submitted or considered in the initial determination.

The review will not afford deference to the initial claim and will be conducted by an appropriate named fiduciary who is neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of that individual.

In deciding an appeal that is based in whole or in part on a medical judgment, including determinations with regard to whether a particular treatment, drug or other item is experimental, investigational or not medically necessary or appropriate, the appropriate named fiduciary will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment, and this health care professional will not be the individual who was consulted in connection with the adverse benefit determination that is the subject of the appeal (nor the subordinate of that individual).

Upon request, Ceridian will provide for the identification of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

**Timing of Appeal Determinations**

A decision regarding your appeal will be made no later than 60 days after receipt of your request for review of your claim.

**Notice of Determination on Appeal**

Within the time prescribed below, Ceridian will provide you with written notice of its decision. If Ceridian determines that benefits should have been paid, Ceridian will take whatever action is necessary to pay them as soon as possible.

If your claim is denied on review, the notice will state:

- The reasons for the denial, including references to the specific plan provisions upon which the denial was based.
- That you are entitled to receive, upon request and free of charge, reasonable access to and copies of, all documents, records, and other information (other than legally or medically privileged documents) relevant to your claim for benefits.

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, the notice will state the specific rule, guideline, protocol, or other similar criterion; or include a statement that such rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination and that a copy of such rule, guideline, protocol or other criterion will be provided free of charge upon request.

- If the claim is denied based on a medical necessity or experimental treatment or a similar exclusion or limit, the notice will also include an explanation of the scientific or clinical judgment for the determination, applying the terms of the plan to the medical circumstances, or include a statement that such explanations will be provided free of charge upon request.
- The notice will also include a statement of your right to bring a civil action under section 502(a) of the Employee Retirement Income Security Act of 1974 (ERISA).
Additional Information

For detailed information about the HRA, account balances, eligible expenses, claims process etc., you may contact Ceridian, the plan’s third-party administrator, at 1-866-370-2534. Service representatives are available Monday through Friday from 5 a.m. to 5 p.m. Pacific Time. You can also obtain automated information 24 hours a day on topics such as claim status, account status, and faxing claim forms.

For questions about this brochure, or for general information about the HRA, you may contact the following:
- Sign on to the My HR website at http://insidekp.kp.org/myhr, or
- Phone the Human Resources Service Center (HRSC) at 1-877-4KP-HRSC (1-877-457-4772)

FREQUENTLY ASKED QUESTIONS

These Frequently Asked Questions provide general guidance based upon the information provided to Kaiser Permanente as of this date and are subject to change by the Internal Revenue Service.

Q1. What is the Health Reimbursement Account (HRA)?
A1. The Health Reimbursement Account (HRA) is a type of medical reimbursement account that allows participants and their dependents to get reimbursed on a tax-free basis for out-of-pocket eligible medical, dental, and vision care expenses. It works like a savings or checking account. When you become eligible, Kaiser Permanente will open an HRA account for you and “deposit” qualified unused sick leave (which has been converted into dollar amounts at 80% of value) into your account. Once an account has been established, you make “withdrawals” by submitting claims for reimbursement.

Q2. When does the new HRA take effect?
A2. The HRA becomes effective on January 1, 2011.

Q3. How do I know if I qualify for the HRA?
A3. You qualify for the HRA if:
- You are an employee represented by the Hawaii Nurses Association participating in the National Agreement on the day you terminate employment with Kaiser Permanente.
- You meet the eligibility requirements as listed on page 9.
- The dollar amount of your HRA-eligible unused sick leave at termination, after it has been converted at 80% of value, is at least $100.
Q4. How do I establish my HRA account?
A4. You don’t have to do anything. If you are eligible for the HRA, an account will be established for you. You will become an active participant in the HRA on the first of the month following the date of your employment termination with Kaiser Permanente, provided you meet all of the eligibility requirements.

If you participated in the Enhanced Sick Leave Program as an active employee, upon termination, all of your unused Banked Sick Leave accrued in 2010 and thereafter will be converted at 80% of value and deposited into your HRA.

A minimum of $100 is required to establish an account for you. There is no maximum balance. If your sick leave conversion value at retirement (termination) is less than $100, Kaiser Permanente will not establish an account for you and any remaining hours will be forfeited.

Q5. Can I contribute to my HRA account?
A5. No. Only Kaiser Permanente can make contributions to your HRA account.

Q6. How does the HRA work?
A6. The HRA works much like the Health Care and/or Dependent Care Spending Accounts. When you incur eligible medical, dental, vision, and hearing care expenses, you submit a reimbursement claim form to Ceridian, our third-party administrator.

Q7. How does Kaiser Permanente determine the amount that is contributed to my HRA?
A7. The amount that Kaiser Permanente contributes to your HRA is based on the total number of HRA-eligible unused sick leave hours you have at the time you terminate or retire. The number of hours you have are multiplied by your straight-time hourly wage as of the date of your termination or retirement, and 80% of the value of these hours is contributed to your HRA account.

Q8. Am I taxed on the amount of money Kaiser Permanente contributes to my HRA?
A8. No. You do not pay federal income or employment taxes on the amounts Kaiser Permanente contributes to the HRA. These contributions are not included in your income, and the reimbursements you receive from the account are not taxable either.

Q9. If I receive reimbursements from my HRA for a medical expense, can I also take a medical deduction on my taxes?
A9. No. You may not take a tax deduction for medical expenses reimbursed from your HRA.

Q10. What expenses are eligible for reimbursement from my HRA?
A10. Eligible health care expenses are defined by the Internal Revenue Code. Common eligible expenses include medical,* dental, and vision plan premiums, deductibles, copayments; prescription drugs, over-the-counter medical supplies and equipment; and amounts over the maximum allowed by your plan that treat a medical condition.

*Reimbursement for medical premiums is limited to Kaiser Permanente-sponsored medical plans, unless you live in an area where a Kaiser Permanente medical plan is not offered.
Q11. Can I get reimbursed from my HRA for expenses incurred by my spouse or other dependents?
A11. Yes. You may claim expenses for yourself, your spouse or domestic partner/reciprocal beneficiary, and your eligible dependents under age 26 as long as they meet the criteria listed on page 10. You may want to contact your tax advisor if you have questions about an individual’s qualifications as your dependent under the HRA. Plan coverage for an eligible dependent ends on the first day he or she loses eligible dependent status.

Q12. How will I receive my HRA reimbursement? Do I have to submit documentation of my expenses with my HRA reimbursement request?
A12. When you become eligible for the HRA, you will receive a Welcome Kit which will include a sample list of eligible expenses and a reimbursement form. You may receive your HRA reimbursement via direct deposit if you complete a direct deposit enrollment form; or, if you prefer, you may receive your HRA reimbursement by check sent via U.S. Mail to your home.

Q13. How will I know the amount of my employer contribution to my HRA?
A13. You will receive this information from Ceridian, our third-party administrator, on your Notification of Enrollment letter. In addition, Ceridian will send you a statement each quarter which shows your account balance. You may also visit Ceridian's website at www.ceridian-benefits.com to obtain information on your account online.

Q14. Who can I call if I have questions about my account?
A14. Help is just a phone call away. If you want to check on the status of your claim or access plan forms, you may contact Ceridian, our third-party administrator, at 1-866-370-2534. You may also obtain information online at www.ceridian-benefits.com.

Q15. Do I have to submit documentation of my expenses with my HRA reimbursement request?
A15. Yes. The HRA is governed by IRS rules and regulations, so the following documentation must be included with each expense submitted for reimbursement.

- Date of service
- Amount paid for service
- Provider name
- Type of service

Q16. Is there a limit to the number of claims I may submit in a month?
A16. No. You can submit as many claims as you wish in a month.

Q17. Is there a minimum dollar amount required to submit claims for reimbursement?
A17. No. There is no minimum dollar amount.
Q18. How often does Ceridian process claims?
A18. Ceridian processes claims every Friday, and it takes approximately three business days to process a claim. For example, if you submit a claim on Tuesday, Ceridian will process your reimbursement on Friday of the same week. If your claim reaches Ceridian on Thursday, your reimbursement will not be processed until the following Friday.

Q19. Can I carry over my unused funds to the next year?
A19. Yes. Any money remaining in your account at the end of the year remains available to you for future use, as long as you are still a participant in the HRA and you have eligible expenses.

Q20. Is there a deadline for submitting a request for reimbursement?
A20. Claims must be submitted within 60 days of the date the expense is incurred. Please note that only eligible expenses incurred while you are a participant in the plan are eligible for reimbursement.

Q21. Do I have to participate in the HRA?
A21. If you meet the eligibility requirements, you become a participant in the HRA and do not have the option to waive participation. However, you may use your account or not; that is, you are not obligated to submit claims for reimbursement. See Q26 for additional information regarding a closed account.

Q22. Are Kaiser Permanente employees in other regions and other employee groups affected by this change?
A22. Yes. Specific employee groups in the Colorado, Georgia, Mid-Atlantic States, Northern California, Northwest, Ohio, and Southern California regions participate in this program.

Q23. What happens if I terminate after I make an Annual Sick Leave Cash-Out election?
A23. If you are on an Active or Paid Leave status as of the last day of the pay period of the plan year, you will be eligible for a cash-out. If you retire or terminate prior to that date, you will not be eligible for a cash-out. Any remaining hours in your ASL will convert to your HRA account if you are eligible for this benefit.

Q24. What if I return to work at Kaiser Permanente after I retire?
A24. Your HRA will be suspended if you return to work at Kaiser Permanente, regardless of your position (union or non-union) or employer (Health Plan, Health Plan/Hospital, or Permanente Medical Group). Suspension begins on the first of the month following your rehire date. Your account will remain suspended until you terminate/retire again. Eligible claims must be incurred while your account is active; claims incurred while your HRA is suspended will not be reimbursed.
Q25. What happens if I die while I am still employed by Kaiser Permanente, but I was eligible for an HRA upon retirement?

A25. If you are eligible for the HRA and you die while employed, Kaiser Permanente will have an HRA account established in your name for your eligible dependents as of the first of the month following the date of your death. For legal reasons, the account must be established in the name of the deceased participant. Your eligible surviving dependents may use this account according to the HRA provisions. Surviving dependents will be provided with additional information by the Human Resources Service Center and instructed to contact Ceridian.

Q26. When will my account be closed?

A26. Your account will be terminated and closed upon any one of the following conditions:

- The date you die and have no surviving eligible dependents
- The date your surviving eligible dependents die
- The date on which the account balance reaches zero. (You will receive quarterly statements from Ceridian.)
- The date on which an account is determined to be “abandoned.” Abandoned means that the plan administrator has not been able to make contact with the participant during a three-year Plan Year period at the participant’s last known address, and no distributions were made during the immediate prior three Plan Years. (A Plan Year is January 1-December 31.) Note: A participant’s account is not considered abandoned during periods of Kaiser Permanente re-employment.
- It is determined that you are not eligible for an HRA (e.g., you may not have any unused sick leave hours available).

Q27. What about forfeitures?

A27. Any amounts remaining in your closed account will be forfeited and used by Kaiser Permanente to offset plan administrative costs (see Q26 for additional information).