

Benefit Accumulation Fund

It is the policy of the Board to provide a proprietary fund for the accumulation of funds from the unused insurance cap moneys of qualifying school district employees on a cost-reimbursable basis for qualified medical, dental, and vision expenses, hereinafter referred to as medical care expenses. The superintendent and/or appropriate designee shall approve all expenditures of this fund. All reimbursements shall be in compliance with Oregon and federal statutes, rules, codes, regulations, and insurance carrier requirements governing a Health Reimbursement Arrangement (HRA), and subject to the following:

1. Qualifying Employees

Any employee who has not fully utilized his/her insurance cap benefit during a current fiscal year may elect to place the unused portion of their insurance cap, in whole or in part, in the Benefit Accumulation Fund or a Tax Sheltered Annuity (see Board policy DLB – Salary Deductions). Employees shall thereafter qualify for expenditure of this accumulated medical care benefit so long as they remain employed with the school district and have a positive fund balance.

2. Benefit Accrual

Benefits shall begin to accrue on a pro-rated basis upon the employee's date of election to participate and shall accrue from year to year. The participating employee shall not lose any benefits accrued except as provided for under paragraph 5 below. Benefits shall be awarded on a monthly basis and accounted for in an individual account for each participating employee. In no event shall approved expenditures exceed the employee's balance of account.

3. Expenditure Approval

The superintendent and/or designee will approve all expenditures from the Benefit Accumulation Fund. The expenditure shall be considered if all of the following criteria apply.

- a. The medical care expenditure meets the criteria for a qualified medical care expense, medicine or drug as defined in Title 26, Chapter 1, Section 213 and Publication 502, Medical and Dental Expenses (available online at www.irs.gov/) of the Internal Revenue Service codes.

Generally, medical care expenses include amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness. Expenses for solely cosmetic reasons generally are not expenses for medical care. Also, expenses that are merely beneficial to one's general health (for example, vitamins, massages, over-the-counter drugs) are not expenses for medical care unless specifically

prescribed by a physician. Except for insulin, medical expenses for drugs are not qualified expenses unless prescribed.

- b. The medical care expense was incurred by the employee or his/her eligible dependent.
- c. The medical care expense and payment by the employee are adequately documented.
- d. The qualifying employee has a positive fund balance remaining.
- e. The medical care expense occurred on or after the date of election and the employee and/or dependents were covered by a health insurance policy. (Dental and vision care policies are not required.)
- f. The medical care expense was first submitted to the employee's insurance carrier for payment and the expense was partially paid or denied or excluded from coverage.

4. Transfer of Funds

At the last regular meeting in June of each fiscal year the business manager shall prepare a resolution for the transfer of funds from the appropriate funds to the Benefit Accumulation Fund equal to the total amount of unutilized "insurance cap" moneys. The moneys transferred shall be maintained on an individual employee account basis.

5. Termination of Employment and Forfeiture of Benefits

An employee who has a fund balance remaining upon resignation, termination or retirement shall have, from the effective date of the resignation, termination or retirement, until the end of the following month or termination of health insurance coverage (cutoff date), whichever occurs first, to incur any qualifying expenditures (claims) and three calendar months from the day immediately following the cutoff date to submit said claims for approval and payment. Any remaining account balance after that time shall not be considered a benefit of the employee and shall revert to the fund's forfeiture account. The Board reserves the right to enter into agreements with individual employees that may vary from this stipulation.

Exception: Employees who resign, terminate or retire at the end of the school year or fiscal year and who are covered by health insurance through the summer recess which was an obligation of the district, shall have until September 30 of that year or until termination of health insurance coverage (cutoff date), whichever occurs first. Any qualifying claims submitted for payment must occur while the employee was covered by health insurance and prior to the cutoff date and the employee has three calendar months from the day immediately following the cutoff date to submit said claims for approval and payment. Any remaining account balance after that time shall not be considered a benefit of the employee and shall revert to the fund's forfeiture account. The Board reserves the right to enter into agreements with individual employees that may vary from this stipulation.

The effective date of a resignation, termination, or retirement shall mean the last day worked. An employee who resigns for the purpose of retirement and is then rehired in a temporary position shall be subject to the employment agreement between the employee and the Board.

6. Eligible Dependents

An employee's eligible dependents include:

- a. The employee's spouse;
- b. The employee's dependents as defined by the employee's group health insurance policy in regards to the definition of a dependent and age limitation, or who is:
 - (1) An unmarried natural child of the employee who either (a) is an IRS dependent of the employee, or (b) for whom the employee, by court decree, has the responsibility to provide medical coverage; or
 - (2) An unmarried step-child or foster child or adopted child, who is an IRS dependent of the employee, residing in the home of the employee; or
 - (3) An unmarried child living in the home of the employee who is a legal ward, or for whom the employee has legal guardianship and who qualified as a dependent of the employee by IRS standards.
- c. Physically or mentally disabled children who are incapable of supporting themselves may be covered indefinitely, as long as the disability begins while the child is still a dependent. Proof that the employee's child is fully disabled may be required at any time.
- d. Coverage is not offered if the employee or otherwise eligible dependent is engaged in active military service, except during U.S. Military Reserve duty when no government coverage is provided.

7. Direct Payment

The superintendent shall not be required, but may authorize direct payments to the provider of the medical care service notwithstanding paragraph 2 (2. Benefit Accrual) above.

8. Privacy Statement Protected Health Information (PHI)

The district is required to protect private medical information under the federal privacy regulations of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Under this law, the district is required to comply with the privacy requirements, including amending the plan we administer for healthcare with privacy language, creating and distributing a HIPAA privacy policy, designating a Privacy Officer, training employees who receive or handle PHI and ensuring that our procedures for using, disclosing or sharing PHI fully comply with HIPAA privacy requirements.

- a. **Privacy Officer:** The Privacy Officer shall be the superintendent of the district. The Privacy Officer shall designate a privacy staff that may receive, handle and process PHI in accordance with the requirements of HIPAA. Such staff may consist of the business manager, executive secretary and Accounting Clerks I and II. Only the Privacy Officer and designated staff may access PHI.

- b. Privacy Notice: The district's policy and privacy notice regarding PHI will be located in the district's policy manual as administrative regulation DLAA-AR – Privacy Notice. In addition, the privacy notice will be issued to each current employee every third year beginning in 2003.

END OF POLICY

Legal Reference(s):

[ORS 316.002](#)

Taxable Income

CFR - Code Of Federal Regulations; Title 26, Chapter I, Sections As Cited Above

IRS Publication 502, Medical and Dental Expenses

IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans - Health Reimbursement Arrangement