

**Transmittal Memorandum
Discrimination Testing
Medical Reimbursement Plans
Single Employer and Single Plan**

Username _____
Password _____

Addressees

Addressee Number 1

Company Name _____ **ID** _____

Address _____

City _____ **State** _____ **Zip** _____

Tel. _____ **Fax** _____

Email _____ **Contact** _____

Addressee Number 2

Company Name _____ **ID** _____

Address _____

City _____ **State** _____ **Zip** _____

Tel. _____ **Fax** _____

Email _____ **Contact** _____

Addressee Number 3

Company Name _____ ID _____

Address _____

City _____ State _____ Zip _____

Tel. _____ Fax _____

Email _____ Contact _____

Plan and Valuation Data

Employer _____

Designation _____

Type of Structure: Corporate (Chapter C) _____ Corporate (Sub-S) _____

Corporate (Limited Liability) _____ Church _____ Government Entity _____

Partnership _____ Non-Profit Organization _____ Sole Proprietorship _____

Plan Name _____

Plan Designation: DOL _____ Other _____ Test Year _____

Funding: Fully Insured _____ Self-Funded: TPA _____ ASO _____

TPA: Independent _____ Insurer-Owned _____

Stop-Loss (If Any) by: Insurer _____ Independent Carrier _____

Eligibility Test Based on: Percentage Test Data _____ Database _____

Is HCI Data To Be Suppressed in Report? Yes _____ No _____

Addressee: Number 1 _____ Number 2 _____ Number 3 _____

Percentage Test Data

Number of Employees _____

Number of Excludible Employee _____

Number of Participants

Excludible and Non-Excludible _____

Non-Excludible Only _____

Benefits Test Data

Does the Plan discriminate in favor of the HCI with respect to the following:

Eligibility (includes the probationary periods)? _____

Benefits (includes optional benefits)? _____

Contributions (Employer of Participant)? _____

Tenure or compensation? _____

Risk Management Test Data

Does the Plan unfairly discriminate against any Individual in the protected class of employees (civil rights issues)? _____

Does the Plan discriminate against any older individual because of age presuming such discrimination is not acceptable even with an actuarial analysis? _____

Has the feasibility of either of the following been actuarially determined:

Medicare Part D Subsidy? _____

Mental Health Parity % Opt-Out? _____

Have any of the 2010 Health Care Reform Act mandated benefits not been met? _____

For Calendar Year 2010, such mandates include (a) no lifetime maximums, (b) no pre-existing conditions, (c) coverage for preventive care, and (d) dependent children to be covered to age 26.

Does the Plan violate (a) any of the Federal Trade and Commerce Laws (anti-trust, restraint of trade, price-fixing, anti-competition, unfair trade practices, e.g.), or (b) any instance where risk management principles and practices might have been violated including the presence of significant undisclosed structural conflicted interest? _____

Actuarial Value (Annual) of Plan Benefits

Computation Basis: COBRA _____ Actuarial Equivalence _____

Tier 1 _____ Value _____ Tier 4 _____ Value _____

Tier 2 _____ Value _____ Tier 5 _____ Value _____

Tier 3 _____ Value _____ Tier 6 _____ Value _____

Tests Involving Highly Compensated Individuals

- Status Codes:**
- O** Officer (may also be treated as a EN)
 - SO** Shareowner only (may or may not be a participant)
 - EE** Employee in excludible class
 - EN** Employee in non-excludible class
 - ER** Former employee now in the retired class
 - EC** Former employee now in the COBRA class
 - EL** Leased employee (may or may not be a participant)
 - ES** Employee who is self-employed (sole proprietor or a Sub-S owner)
 - EP** Partner
 - EI** Independent Contractor.

Database

<u>Individual</u>	<u>Annual</u>	<u>Owner</u>	<u>Plan</u>	<u>Paid</u>		
<u>Designat</u>	<u>Status</u>	<u>Count</u>	<u>Compensation</u>	<u>Percent</u>	<u>Part?</u>	<u>Benefits</u>

Commentary

Purpose/Description of this Form

This Form provides the data/documentation that is needed to create a risk/actuarial work-product relative to the discrimination issues of a medical reimbursement plan whether fully insured or self-funded.

Addressees

Only a few comments are needed with respect to the Addressee Section of the Data Transmittal Form: (a) Addressee No. 1 is reserved for the entity that engages the actuary, (b) Addressee No. 2 is reserved for the entity that has the duty/responsibility for entering the data, (c) Addressee No. 3 may be any party

without restriction, (d) only letters, numbers or dashes are acceptable entries, (e) one of the addressee must be the E-coded address, and (f) the work-product will be emailed to such E-coded address.

Plan and Valuation Data

A few comments might be helpful: (a) Employer Designation was believed to be helpful in identifying such in a simple manner, (b) one of the eight organizational structures must be designated (indicate the closest, if not the exact), (c) Plan Name may be the "Gold Plan", e.g., along with its DOL number and its awpse.com-number, (d) the Test Year is typically the employer's calendar, tax year, (e) the blanks that describe the plan's funding and administration as well as the stop-loss (if any) offer no entry issues. (f) for coordination of data purposes, the program must know whether the inputted data is from (i) the Database or from (ii) summary data received from the employer, (g) for privacy reasons, the HCI data may be suppressed from the final Work-Product and (h) the designation of the three Addressees is needed.

The Percentage Test Data Section is used when the Employer opts to not use the Database (i.e., dispense with managing the HCI census). The Number of Employees includes (a) all common law employees and (b) all self-employed (i.e., non-common law employees who are plan participants as a contractual matter such as an independent contractor). The Number of Excludible Employees includes all common law employees who are not Plan Participants and who are in any of these six groupings: (a) part-time, (b) temporary, (c) under age 25, (d) less than three years of service, (e) working under a collective bargaining agreement or (f) nonresident alien working with no U. S. income. The Participants (Excludible and Non-Excludible) include all of the Plan Participants. The Participants (Non-Excludible Only) include the Total Participants less those Participants who are in the Non-Excludible (i.e., the six groups)

The Benefits Test Data show the response of the Employer with respect to the four areas in which discrimination might exist with respects to an individual Plan Participant: (a) Eligibility, (b) Benefits, (c) Contributions, or (d) Tenure or Compensation.

The Risk Management Test Data shows the response of the Employer with respect to the five discriminatory areas that are treated in the Work-Product as risk-related as opposed to being statutory-related: (a) legally-protected (i.e., civil rights), (b) age-protected, (c) plan design-related (i.e., Medicare Part D Subsidy or Mental Health Parity Opt-Out), (d) New Health Care Reform requirements and/or (e) Federal Trade and Commerce Laws (and related issues with risk management or structural conflicted Interest).

When an individual is permitted to be a plan participant as a contractual matter (i.e., not a common law employee) , such individual must be given an IRS Form 1099 for the economic value of the provided plan benefits (adjusted downward for such individual's contributions). The gross value of such benefits is set forth in this Section. A distinction is made (a) by the manner of determination (i.e., COBRA or actuarial value) and (b) by tiering.

Database

The Status Codes needed to manage the Database are shown without comment. The Database will contain all of the HCI. Data entering comments, instructions, tips, etc are as follows: (a) such data may be entered by the Employer (or its assigns) or by Self-Funding Actuarial Services (presuming that the data is in a form agreeable to entry), (b) all individuals who are in any of the following groups are to be entered and properly coded: (i) all Plan Participants, (ii) all employees. (iii) all shareowners with ownership of over 10%. The only individuals that need not be entered are non-common law individuals who are not Plan Participants, (c) in lieu of entering all of the lower-paid 75%, the computer will accept an entry of 100 employees (rather than one employee) but the Annual Compensation and the Paid Benefits must be the total for the 100, (d) the Individual Designation should be five decimal beginning with 0001, (e) Status should be as set forth in the designated codes, (f) the Count will be unity except where grouping is done, (g) the Annual Compensation will be that prescribed by the IRC, (h) the Owner Percent must follow the attribution rules and (i) Paid Benefits are those reimbursed medical bills on a cash basis.