

HEALTH WAY OF SAN DIEGO COUNTY TRUST FUND
FRINGE BENEFIT CONTRIBUTION PAYMENT GUIDELINES
FOR PARTICIPATING EMPLOYERS

The trustees of the Health Way of San Diego County Trust Fund (“Health Way”) have adopted these guidelines to inform participating employers about administrative, reporting and contribution requirements and to answer frequently asked questions.

I. INTRODUCTION TO HEALTH WAY

A. What type of organization is Health Way?

Health Way is separate from United Way of San Diego County (“United Way”). It is a voluntary employees’ beneficiary association as defined in section 501(c)(9) of the Internal Revenue Code. Health Way sponsors an employee welfare plan (“plan”) which provides medical, dental, vision and related benefits.

B. Who are the trustees?

The six (6) trustees who administer the Health Way benefit plan are Barbara L. Alderson, Donald V. Tartre, Howard W. Brotman, Raymond Uzeta, Deborah Ives, and Julie A. Firl. They are appointed by United Way.

C. What geographical area does Health Way cover?

The plan covers employees of participating employers throughout San Diego County. Special arrangements may be made with Health Way’s administrative manager if coverage is sought elsewhere.

D. Who administers Health Way?

The trustees administer Health Way with the assistance of professional consultants. The administrative manager is Jean P. Sukovez of United Administrative Services of San Jose, an experienced third-party administrator. Creative Benefits, Inc. provides third party administrative services related to Cafeteria Plan administration. The Health Way attorney, David P. Wolds of Procopio, Cory, Hargreaves & Savitch LLP , specializes in employee benefit plan representation. These consultants assist the trustees in complying with applicable laws and regulations. The administrative office is located at 1120 South Bascom Avenue, San Jose, CA 95128. The telephone number is (408) 288-4400.

E. How are benefits provided to employees?

The Health Way benefit plan is fully insured. The plan currently provides comprehensive medical insurance, group dental insurance, and group vision insurance. Employers may elect to provide group life insurance. Eligibility rules and benefit schedules are included in summary plan description and plan materials which are supplied to all participating employees. Additional information is available from the administrative office. The insurers are responsible for processing employee benefit claims.

These underlying employee benefit plans are provided through a Cafeteria Plan, under Internal Revenue Code section 125, which permits participating employers to pay their portion of premium costs with pre-tax dollars. In addition, participating employees may enroll in the Plan's Flexible Spending Accounts, which include a Health Care Spending Account and a Dependent Care Spending Account.

II. EMPLOYER PARTICIPATION RULES

A. Which agencies are eligible to participate?

Any organization that is eligible to receive contributions through United Way, and which is party to adoption agreements with Health Way, may participate. If an organization ceases to be eligible to receive contributions through United Way, or if its adoption agreement with Health Way is terminated, its participation in Health Way will end.

B. Must all related employers participate?

Participating employers may be affiliated with other corporations or organizations. Each employer that contributes to Health Way must be bound to an adoption agreement. The general rule is that if a parent organization participates, all related organizations must participate. In these cases, the trustees will evaluate participation on a case-by-case basis. Questions in this area should be addressed to the administrative office before participation begins.

C. How does employer participation begin and end?

Each participating employer must sign a written adoption agreement. Employers must participate a minimum of twelve months. Participation may end in one of several ways. First, the participating employer may terminate its participation on thirty days' written notice after the minimum twelve-month period had ended. Second, the trustees may terminate participation of the employer at any time because of contribution delinquencies, non-compliance with trust fund rules, or for any other reason in the trustees' discretion. A termination notice must be in writing to be effective.

D. Are advance contribution deposits required?

No.

E. How often are contributions paid?

Contributions are paid monthly at rates established from time to time by the trustees. Participating employers must identify all reported employees on monthly remittance forms. Contributions and remittance forms are due by the 20th of the month preceding the month of coverage. Contributions are delinquent if not received by the 25th of the month.

F. What happens if contributions are paid late?

If contributions are not received by the 25th of the month referred to above, liquidated damages will automatically be assessed at the rate of 10% of the total contributions due. The trustees have discretion to terminate the participation of any participating employer for contribution delinquencies.

G. Are employer contributions audited?

In order to familiarize employers with Health Way's reporting and contribution rules, each new employer will receive an instructional audit. This will provide an opportunity to review reporting and payment guidelines so that the rules of participation are understood. Health Way will also perform routine payroll record reviews to assure that proper reporting practices are maintained. The employer must assure that employees are properly reported. Verification will be required during the payroll record review.

H. What are employers' obligations under privacy rules to protect health information?

The Department of Labor has issued strict rules under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") protecting the privacy of participants' health care information. While the HIPAA privacy rule is directed to health benefit plans and health care providers ("covered entities") the rule also affects communications between covered entities and employers that sponsor plans. The trust has implemented policies and procedures that comply with the HIPAA privacy rule, which have been adopted by the plan administrator and other service providers. As a result, all communications between employers and the plan benefit providers concerning treatment, claims, payment, and health conditions should be handled by the plan administrator. Employers should contact the plan administrator with any questions or concerns that they or their employees have regarding medical information that relates to the benefit plan.

The HIPAA privacy rule, however, does not impact workers' compensation claims or other types of medical information that employers receive unrelated to the health benefit plan. Such information includes, but is not limited to, medical information employers receive from employees concerning sick leave, drug testing, pre-employment physicals, and fitness for duty examinations. The HIPAA privacy rule also does not affect employers' compliance with other state and federal laws such as the Americans With Disabilities Act ("ADA"), the Family Medical Leave Act ("FMLA"), the California Family Rights Act ("CFRA"), the Pregnancy Disability Act, or the California Fair Employment and Housing Act ("FEHA"). Medical information

about employees unrelated to their employer-sponsored health benefits, however, may be protected by state and federal medical privacy laws other than HIPAA. Employers should consult with competent labor counsel regarding their obligations to protect employees' right to privacy in complying with these and other non-benefit plan related laws.

III. EMPLOYEE COVERAGE AND ELIGIBILITY

A. Which employees are covered?

Each employer must choose whether to cover all of its employees or all of its employees who do not have alternative coverage. If the employer allows employees to waive coverage, it must sign a written addendum to the adoption agreement. Employees who are covered by a collective bargaining agreement are not eligible to participate and employers may not contribute to the trust fund for such employees.

B. When do employees become eligible for benefits?

Reported employees are eligible for coverage on the first day of the month following Health Way's receipt of a contribution payment. For example, an employee reported in March will be covered effective April 1st. Eligibility rules are set forth in detail in the summary plan description and plan booklet given to employees.

C. May employees waive coverage?

Employers may allow employees are covered by another health plan to waive coverage according to Health Way's rules and procedures. Each employer making this election assumes responsibility to assure that alternative coverage is continued.

D. Can the employer require employees to pay for their own coverage?

Employers may require employees to pay for a portion of their coverage.

E. Are dependents of employees covered?

Dependent coverage is available for each benefit plan offered by Health Way. Employers may require employees to pay for a portion of their dependent's coverage. Dependents entitled to coverage are children and spouses of employees.

F. Are domestic partners covered?

Employers may provide domestic partner coverage under the plan's domestic partner coverage rules and procedures. Employees electing domestic partner coverage must sign an application declaring that the employee and the domestic partner meet certain criteria, including residing together and sharing a mutual obligation of support for the basic necessities of life. If an employee elects domestic partner coverage, he or she will be able to choose from the benefits that have agreed to provide coverage of domestic partners. Domestic partner coverage rules and procedures are available from the plan administrative office.

G. What are employers' obligation regarding employees on military leave?

Employers may be required to continue making contributions to the plan for a participating employee's benefits during an absence from work because of military service. Participating employees on military leave are entitled to plan benefits that are available to other employees on non-military leave. Employers should consult with competent labor counsel regarding their specific military leave obligations. If an employee's benefit coverage terminates because of military leave, the employee may elect to continue health coverage similar to COBRA continuation coverage under the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA"). Employers should contact the plan administrator immediately if the employer stops making contributions because of an employee's military leave.

Employers returning to active employment following qualifying military leave are entitled to reinstatement in the plan. Employers should contact the plan administrator immediately if an employee returns to active employment following a USERRA leave of absence.

H. May employers make contributions for employees who are not actively working?


Only employees who are actively working are entitled to employer contributions, unless the participating employer determines that an inactive employee is entitled to contributions under applicable state or federal law during a leave of absence. Such laws include, but are not limited to, the Family Medical Leave Act, California Family Rights Act, the Workers' Compensation Act, the California Fair Employment and Housing Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, and the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA").

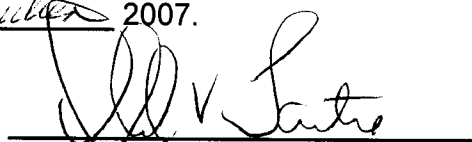
Participating employers making contributions on behalf of inactive employees during leaves of absence must notify the plan administrator in writing when such contributions are made. Participating employers may be required to provide additional information concerning these inactive employees. The trustees may in their discretion reject contributions on behalf of inactive employees that are determined to be inappropriate.

I. Are early retirees covered?

Coverage is available for employees who retire between the ages of 54 and 65, and who meet certain other criteria. Health coverage may also be available to spouses and dependents by early retirees.

Adopted this 15 day of December 2007.


Barbara L. Alderson, Chairperson


Donald V. Tartre, Secretary