

AFLAC Flex One

Toll Free Phone Number's:

*1-800-323-5391 (option #1) – customer service- 8:00 a.m. – 5:00 p.m.

*1-877-353-9487 (option #2) interactive voice response- you can access your personal account 24 hours a day.

Toll Free (claim) fax Number:

*1-877-353-9487 (fax claim form and receipts)

*non toll free number – 1-706-660-7751 (fax claim form and receipts)

AFLAC Mailing Address: (claims)

*AFLAC Administrative Services /FLEX ONE
1932 Wynnton Road
Columbus, GA 31999-9950

AFLAC Website:

*www.aflac.com (to get claim forms)

Brady Weisenberger- AFLAC representative 701- 478-0020 –(telephone)

701-478-0025 (fax)

125 North 8th st. Fargo N.D. 58102

*Local AFLAC Representative:

-Bismarck State College- Colleen Gill (phone) 1 – 701-794-3677

-Dickenson State University- Kathy Johnson- (phone) 1-701-483-9670

-Minot State University / Bottineau- Jerry Clark- (phone) 1- 701- 852-8286

-Williston State College- Ricky Swennington- (phone) 1-701-628-2031

-Lake Region State College- Kirk Motl (phone) 1-701-775-8844

-Mayville State University- Kirk Motl (phone) 1-701-775-8844

-Valley City State University- Shawn Benser (phone) 1-701-478-0020

-North Dakota State School Of Science – Greg Ness / Sandie Strandlien- (phone)
1-701-478-0020

North Dakota University System
Supplement to Summary Plan Description
January 2003

Unreimbursed Medical (URM) Accounts

The purpose of this notice is to explain how you can use the Cafeteria (AFLAC) plan to reduce the cost of medical care, prescription drugs, dental care and eye care that are not covered by insurance, leaving you with money in your pocket.

Introduction

An Unreimbursed Medical Account allows you to set aside before- tax dollars from your paycheck to pay for medical expenses, including dental and vision expenses. The result is that you pay less for these expenses due to the tax savings you receive for setting aside dollars on a pretax basis. Cafeteria plan participants can use URM accounts to save money on the deductibles, co-payments and coinsurance amounts they must pay for prescriptions costs and doctor visits. They can also save money on the cost of routine dental care, eyeglasses, contact lenses and solutions, laser eye surgery, or orthodontia, if not already covered by insurance. These are just some examples of eligible expenses that may be reimbursed from a URM account. A detailed list of potentially expenses is included at the end of notice.

EXAMPLES

Suppose you purchase eyeglasses for \$175. If the eyeglass expense is not covered by insurance, the \$175 expense is eligible for reimbursement from your URM account.

Suppose you are hospitalized and incur \$2,000 of medical expenses, of which all but \$400 is covered by insurance. The \$400 that was not covered by insurance is eligible for reimbursement.

At the North Dakota University System you can contribute up to \$6,000 each year to pay for unreimbursed medical expenses. This limit does not apply to any amounts you contribute for insurance premiums or dependant care expenses (\$5,000 maximum). You can contribute to both the medical expense reimbursement account and the dependant care reimbursement account, to either account, or to either.

It takes little work on your part to plan out your expenses for the year ahead and file claims for reimbursement. For most people, the tax savings make the effort worthwhile.

The URM account is governed by many of the same general rules of the Cafeteria Plan that apply to premium payments and dependant care expense reimbursement accounts, including the claims procedures and the rules that allow election changes following a change in you status. This supplement discusses some of the important features that

relate to Unreimbursed Medical Accounts but you should also refer to the Summary Plan Description for the Cafeteria Plan.

WHAT ARE THE ADVANTAGES OF AN UNREIMBURSED MEDICAL ACCOUNT?

Participation in the Unreimbursed Medical Account can offer you substantial tax savings. When you set aside a portion of your income specifically for reimbursing medical, dental, and vision expenses in the URM Account, the Company (in accordance with the tax laws) will not treat that amount as taxable income. As a result, you may pay less in income taxes, Social Security and Medicare taxes and, in most locations, state income taxes.

Your tax savings will depend on both the amount you contribute and the percentage of your income that you pay in taxes. The following is an example.

Example of Tax Savings

Suppose you earn \$30,000 and you expect to have \$800 in eligible expenses. You can pay these expenses after-tax (that is, without any reduction in you tax liability), or you can elect to pay them before-tax using your URM Account. The following chart shows your tax savings if you use your URM Account:

	After-tax Approach	Using your URM
Annual pay	\$30,000	\$30,000
Pre-tax URM contribution	-\$0	-\$800
Taxable pay	\$30,000	\$29,200
Taxes (Federal, Social Security and 7% State)*	\$5,313	\$5,076
After-tax expenses	-\$800	-\$0
Take-home pay	\$23,887	\$24,124

**Federal taxes are based on the standard deduction and three exemptions. State income taxes may vary.*

In this example, you paid the same \$800 of medical expenses in both cases, but the tax savings from using a URM Account resulted in an additional \$237 in take-home pay.

The full or partial nontaxability of benefits is the primary benefit of the Plan. However, the exact effect the Plan will have on you will depend on the benefits you elect as well as other factors that affect the amount of income taxes you pay.

Possible Disadvantages of URM Accounts

Your Social Security benefit is based on your earnings that are subject to Social Security taxes. If all of your earnings are subject to Social Security, contributing to a URM Account will reduce your earnings that are subject to Social Security taxes. As a result, your future Social Security benefit will be slightly reduced. However, for most people the current tax savings (typically between 22% and 35% of their contributions) are much more valuable than any potential reduction in Social Security benefits. For more details, contact the local office of the Social Security Administration. You can also estimate the effect on your Social Security benefit using the online calculations at the Social Security Administration's website: www.ssa.gov/planners/.

In exchange for the tax benefits of URM Accounts, the Internal Revenue Service (IRS) imposes certain restrictions regarding the money you set aside in these accounts.

- Once you make an election, your payroll deductions must continue for the entire calendar year, unless you have a qualifying change of status that is consistent with the change in you deductions (see the Summary Plan Description for more information about changes of status).
- It is important to estimate your expenses carefully. If you are unable to use all of the money in your accounts, you lose it. By law, unused amounts cannot be returned to you and are forfeited.
- The law does not allow you to transfer money from one account to another. In other words, you cannot use money in you URM Account for dependent day care expenses, or vice versa.

The North Dakota University System does not give advice regarding any employee's personal tax situation or the likelihood that using a URM Account will save an employee money. The general comments made above are meant only to help you and your advisors evaluate your individual circumstances.

Period of Coverage

As you have in the past, you will pay any medical expenses as they come due. You will then be able to submit a claim for reimbursement against your URM Account. You may receive reimbursement of expenses only if they are *incurred during a period of coverage* when you have elected to participate in the URM Account. When is an expense "incurred"? A health care expense is incurred when the health care giving rise to the expense is provided. The date of billing or payment is irrelevant.

Example

If you visit your dentist on June 15, 2003, are billed for the dental services on July 5, 2003, and pay the bill on July 14, 2003, you will have incurred the expense on June 15, 2003. Consequently, the expense would be eligible for reimbursement from your URM Account for the Plan Year ending June 30, 2003, but not under your coverage for the Plan Year running from July 1, 2003 to June 30, 2004.

A period of coverage is a Plan Year, or a portion of a Plan Year, starting with the effective date of your election to participate in the URM Account and continuing as long as you remain eligible and continue to contribute to your URM Account. A new period of coverage starts each January 1 if you elect to continue participation.

HOW DO I FILE CLAIMS?

To receive reimbursement from your Unreimbursed Medical Account for eligible expenses, you need to file a request under the procedures described in the Summary Plan Description. Expenses for a Plan Year may be submitted at any time during the Plan Year and for 90 days after the Plan Year ends. During the Plan Year you will not be allowed to submit claims until the total value of the expenses you are submitting at one time is at least \$15. After the Plan Year ends, you may submit any remaining expenses from the Plan Year, even if they are less than \$15. You may list several expenses on one form. To meet IRS requirements, each expense must be documented.

- For a medical, dental, or vision expense, you must include the name of the provider, the name of the person receiving the service (either yourself, your spouse or your dependent), the date of the service, the amount of the expense and the nature of the expense. You must also attach an itemized statement or explanation of benefits from the medical plan, or include your provider's signature with the amount.
- For orthodontic expenses, you must submit the contract with your first claim form to be reimbursed. Subsequent requests must include proof of payment, such as the coupon book or an invoice from the provider. The total amount of your expenses will be divided by the number of months of service and this is the amount to be reimbursed each month. The full amount cannot be reimbursed up front even if paid in full, because the expense is not reimbursable until the service is received.

WHO IS ELIGIBLE?

You are eligible for the Unreimbursed Medical Account if you are classified by the North Dakota University System as an employee and you have become eligible to participate in the North Dakota University System group health plan.

HOW DO I ENROLL?

A new eligible employee may elect to become a participant in the Plan on the first day of the month beginning at least 30 days after he or she becomes eligible to participate in the Company's group health plan. For example, if an eligible employee is first eligible to participate in the group health plan on August 3, the employee may elect to participate in the Cafeteria Plan on October 1. If you do not make a valid benefit election within the time period required by the Plan, you will not be eligible to participate in the Plan until the first day of the following Plan Year (January 1), unless you have a status change or another event occurs that would permit you to make an election change.

CONTINUING ENROLLMENT

Once enrolled, you must submit a new election form each year to renew your election. Otherwise it will become ineffective on the following January 1. You may obtain the election form from the AFLAC representative.

WHEN DOES COVERAGE END?

Your coverage under the Unreimbursed Medical Account will end on the date any of the following events occur:

- Your employment terminates;
- You are laid off or take an approved leave of absence other than family or medical leave or military leave; or
- You are no longer an eligible employee as described in the booklet.

If you have paid more into your Unreimbursed Medical Account than you have received in benefits as of the date your coverage ends, you will lose the remaining URM balance unless you continue your coverage as described below. Also, you may still submit claims for eligible expenses incurred before your coverage ended.

CAN I CONTINUE COVERAGE AFTER IT ENDS?

You and your dependents may be able to continue URM benefits under COBRA, which stands for the Consolidated Omnibus Budget Reconciliation Act. COBRA is a federal law requiring companies to allow employees and their covered dependents to continue health care benefits for a period of time if coverage is lost due to a qualifying event.

If you elect continuation coverage under COBRA, you may generally continue URM coverage until the end of the Plan Year in which a qualifying event occurs by making contributions on an after-tax basis. It may be to your advantage to continue making contributions if you have a significant amount of money remaining in your URM Account when your coverage would otherwise end. It is important to remember that health

expenses are eligible for reimbursement only if they are incurred while you are a participant. By continuing your contributions on an after-tax basis, you remain a participant in the Plan.

This explanation is an update to the Summary Plan Description for the Mills Companies Cafeteria Plan. This document is very important and should be placed with your Summary Plan Description.

WHAT EXPENSES ARE ELIGIBLE FOR REIMBURSEMENT?

This section lists examples of expenses that **may** be eligible for reimbursement if they are incurred while you are participating in the Plan. **An expense is considered to be incurred on the date you receive the service (not the date you are billed or the date you pay for the service).** There may be other expenses eligible for reimbursements that are not included in this list.

These are general guidelines and some listed expenses may be eligible only when certain other requirements are satisfied. Each claim for reimbursement will be reviewed individually to determine if reimbursement from your URM Account is allowed under the law. If you have a question about a particular expense, please contact our flex one department at 1-800-323-5391.

Expenses Which May Be Eligible

A

- Acupuncture – if it is to treat a medical condition
- Air Purifier – only if prescribed by a physician to treat a specific medical condition such as a severe allergy
- Alcoholism – amount paid for inpatient treatment, including meals and lodging, at a therapeutic center for alcohol addiction
- Ambulance
- Artificial limbs
- Artificial teeth
- Automobile modifications for physically handicapped person

B

- Birth control pills – if available only by physician's prescription
- Blood pressure monitoring devices

- Braille books and magazines – only amount paid by visually impaired person, above the cost of regular printed material

C

- Chemical dependency services
- Chiropractor's fees – if for treatment of a specific medical condition
- Christian Science practitioners' fees – if payments are for medical care
- Coinsurance
- Contact lenses and related materials (solutions and enzymes) and equipment
- Contraceptive prescriptions
- Convalescent home medical treatment
- Co-payments
- Crutches

D

- Dentists' fees and dental services (for treatment other than cosmetic services)
- Dentures
- Diabetic supplies
- Diagnostic services

E

- Earplugs – prescribed by a physician for a specific medical condition
- Eye exams, prescription eyeglasses, and related equipment and materials

F

- Fees associated with organ donations
- Fees for the computer storage of medical records
- Fertility treatments – if the treatment impacts the participant or a dependent of the participant. Includes shots, treatment, and surgery.
- Flu shots
- Fluoridation device – amount should be limited to cost allocable to current plan year

G

- Guide dog or other animal aide - amount paid for purchase, training, and care of animals used by a vision impaired or hearing impaired person
- Gynecologists' fees

H

- Health insurance deductibles
- Hearing aids/batteries
- Hospital private room surcharges (amounts above the semi-private room rate)
- Hospital services
- Hypnosis for medical treatment

I

- Immunizations/vaccinations
- Insulin

L

- Laboratory fees and services
- Language training for child with dyslexia or disabled child
- Laser eye surgery
- Lead based paint removal – for the cost of removing lead-based paints from surfaces in the home to prevent a child who has or has had lead poisoning from eating the paint. These services must be in poor repair and within the child's reach. The cost of repainting is not a medical expense.
- Learning disability – amount paid to special school or specially-trained teacher, which is prescribed by physician, for a child who has severe learning disabilities caused by mental or physical impairments
- Legal fees associated with the commitment of a mentally ill person
- Lodging, if necessary to receive medical treatment at a location away from your home

M

- Medical conference admission and transportation, if the conference concerns a chronic illness that afflicts you, your spouse, or your dependent
- Medical monitoring and testing devices (e.g., blood pressure monitor, syringes, glucose kit, etc.)
- Medical services
- Medicines – if amounts are paid for physician-prescribed medicines and drugs

- Mileage related specifically to an eligible medical visit

N

- Norplant insertion or removal
- Nursing services

O

- Obesity treatment if prescribed by a physician. This does not include special foods
- Obstetrical fees and procedures
- Occlusal guards to prevent teeth grinding
- Organ donor expenses
- Orthodontics
- Orthopedic shoes (if prescribed), but only the portion of the cost in excess of the cost of regular shoes
- Osteopath
- Outpatient treatment for mental disorders
- Ovulation monitor
- Oxygen – amount paid for oxygen and equipment for breathing problems caused by a medical condition

P

- Physical exams – but not employment-related physicals
- Physical therapists' fees
- Pregnancy test – over the counter
- Pre-natal care
- Prescription drugs
- Prescription eyeglasses and/or contact lenses
- Psychiatrists' fees
- Psychologists' fees
- Psychotherapists' fees

R

- Radial keratotomy
- Routine physicals

S

- Seeing-eye dog (purchase, training & care)
- Skilled nurses' fees
- Smoking cessation treatments and prescriptions, but not non-prescription drugs such as nicotine gum
- Solutions for the care and maintenance of contact lenses
- Special education/training for handicapped children to relieve a disability
- Speech therapists' fees
- Sterilization fees
- Substance abuse treatment
- Surgical services (non-cosmetic)

T

- Tape recorders for blind persons
- Telephones for hearing impaired persons
- Therapy – amounts paid for therapy received as medical expenses may be deductible
- Transplants – amounts paid for surgical, hospital, laboratory, and transportation expenses for organ donor
- Transportation expenses, if for medical reasons, reimbursed at IRS-approved rates
- Treatment for substance addiction

V

- Vaccines
- Vasectomy
- Vision care (prescription eyeglasses and contact lenses)

W

- Wheelchair

- Weight-loss programs if prescribed by a physician to treat obesity or another disease (for example, diabetes or heart disease). Eligible expenses include fees for participating in a weight-loss program, but not diet food or home exercise equipment

X

- X-ray fees – amounts paid for X-rays received for medical reasons

Sample Expenses That Are NOT Eligible

- Aspirin
- Cosmetics
- Cosmetic surgery that is not medically necessary
- Dancing lessons
- Ear piercing
- Electrolysis
- Exercise equipment or programs
- Expenses that are reimbursed by or eligible for reimbursement from your health care or dental plan
- Expenses that are reimbursed by or eligible for reimbursement from other medical or dental insurance
- Expenses you decide to claim as a deduction on your income tax return
- Expenses not incurred during the current plan year
- Face lifts
- Fitness programs
- Funeral expenses
- Hair removal/ hair transplant
- Health club expenses
- Herbs and herbal treatments
- Illegal operations and treatments
- Marijuana or other controlled substances
- Massage therapy to relieve stress or depression
- Maternity clothes

- Non-prescription drugs and medicines
- Over-the-counter medicines such as aspirin and calcium supplements and personal care items
- Premiums for health or dental insurance
- Rogaine
- Teeth whitening
- Varicose vein/spider vein treatments
- Vitamins taken for general health
- Weight-loss programs and/or drugs if the purpose for the weight control is maintaining general health and they are not prescribed by a physician to treat obesity or another specific disease

For further examples of expenses that are not reimbursable, you may consult IRS Publications 17 and 502, which you may view or download on the Internet at www.irs.gov or request by calling 1-800-829-3676. However, these Publications should be used with caution, because they are intended to assist taxpayers in determining their tax deductions, not to explain which expenses are reimbursable under a health care reimbursement account. For this reason, some of the statements in the Publications do not apply to health care reimbursement accounts. For example, the Publications state that a tax deduction is based on when you pay for an expense. In the case of a health care reimbursement account, an expense must be incurred during a Period of Coverage to be eligible for reimbursement from your account for that Period of Coverage, regardless of when you pay for it. Also, certain expenses listed in the Publications as deductible – such as insurance premiums and certain long-term care expenses – cannot be reimbursed from a health care reimbursement account.