Redwood Health Services

Administrative Services

Closing Documents

for

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Third-party Administration by Redwood Health Services

3510 Unocal Place #108 • Santa Rosa, CA 95403

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**ADMINISTRATIVE AGREEMENT**

# **By and between**

**and Redwood Health Services (RHS)**

This agreement, entered into as of      , by and between      , and the third-party administrator, Redwood Health Services, an administrator of health plans and group insurance benefit programs, is made in reference to the facts that follow.

Now, therefore, in consideration of the mutual promises, covenants, and payments contained herein, it is agreed as follows:

ARTICLE 1—EMPLOYER HEALTH PLAN DISCLOSURE

It is the employers understanding that the employer benefit health plan can be composed of two separate parts. One part is a fully insured plan of benefits. The other part is an employer self-funded plan. Some plans such as dental or vision will only be a self-funded plan. Also, plans such as 125 (FSA, POP or 132 plans (Transportation) may have only employee contributions.

The insurance carrier is responsible only for the benefits that are contained in its provided materials and apply to charges incurred when the plan is in force. The Employer Application Form in this document names the insurance carrier and the self-funded plan options elected by the employer. The Employer Application Form, together with the insurance carrier’s application form and any other applicable forms attached hereto, are incorporated herein and made a part of this Closing Document.

Benefits under the self-funded plan are the sole financial responsibility of the employer, and all questions or issues regarding such benefits are to be addressed by the employer or the third-party administrator on behalf of the employer. The third-party administrator will process medical, dental, and/or vision charges under the self-funded plan and provide monthly reports regarding the claims processed.

The employer also understands that the self-funded plan is administered under Section 105, 125 or 132 of the Internal Revenue Code. Under Section 105, 125 or 132, benefits provided to employees are not deemed to be taxable income to the employees. A Summary Plan Description of the benefits provided under the self‑funded plan is to be provided by the third-party administrator and distributed by the employer to all covered employees.

Upon termination of the self-funded plan, the employer is financially responsible for charges incurred by the covered employees and their dependents prior to the termination of the plan. The employer may engage the third-party administrator to process these claims for a specific number of months.

ARTICLE 2—SERVICES, RIGHTS, AND ASSURANCES   
OF THE THIRD-PARTY ADMINISTRATOR

The third-party administrator shall perform its duties pursuant to its standards of quality control and cost-containment in accordance with the following understandings:

* The third-party administrator shall perform the services listed in Article 8—Description of Services.
* The third-party administrator shall maintain all records in conjunction with the administrative services to be performed, as set out in Article 8—Description of Services. The confidentiality of such records shall be maintained by the third-party administrator, and the information therein shall not be divulged, disclosed, or made available to persons other than the employer administrator or the plan without prior written approval of the employer administrator, subject to the restrictions of applicable federal and state law.
* The third-party administrator shall administer the plan in accordance with ordinary care and diligence and shall maintain reasonable standards of quality control, cost-containment, and service.
* The third-party administrator will indemnify and hold harmless the employer for the third-party administrator’s negligent acts or omissions.

ARTICLE 3—RIGHTS AND ASSURANCES OF THE EMPLOYER

The employer agrees that the third-party administrator shall assume no financial responsibility for the benefits payable under the plan, whether incurred liabilities, paid liabilities, or reserves. The employer agrees to assure the financial integrity of the plan through the use of insurance contracts, trust accounts, or other security acceptable to the third-party administrator.

The employer will indemnify and hold harmless the third-party administrator for the employer’s negligent acts or omissions.

It is understood that the employer retains the final right to determine benefit payments under the plan, and as a result, the third-party administrator is not a claims fiduciary for purposes of the Employee Retirement Income Security Act of 1974, as amended, (“ERISA”). The third-party administrator agrees to faithfully discharge its responsibilities under the agreement pursuant to the direction of the employer.

ARTICLE 4—PERIOD OF THE AGREEMENT

This agreement shall take effect on the effective date stated on the Employer Application Form. The agreement shall have an initial period of 6 months and thereafter continue indefinitely unless and until either party gives 30 days’ advance notice in writing of its intention to terminate the agreement. Once the termination notice is received by the other party, this agreement shall terminate 30 days after its receipt by the other party, or such later termination date that may be specified in the termination notice or otherwise agreed to by the parties.

ARTICLE 5—SETTLEMENT OF DISPUTES

Any controversy or claim arising out of or relating to this agreement, or the breach thereof, shall be settled by arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Notwithstanding any dispute arising under this agreement, each party hereto shall continue to perform its obligations thereunder pending the decision of the arbitrator.

ARTICLE 6—CONFIDENTIALITY

The third-party administrator agrees to maintain the confidentiality of any information that may be obtained by the third-party administrator relating to this agreement or the employer’s plan of health benefits. Confidential information is defined as all information disclosed to the third-party administrator that is not publicly available, and that relates to the employer’s past, present, and future activities (including activities under this agreement).

The employer shall be responsible for maintaining the confidentiality of information furnished by the third-party administrator to the employer in compliance with all applicable state and federal laws.

ARTICLE 7—TERMS AND CONDITIONS

The employer will pay the third-party administrator monthly for services described in Article 8—Description of Services. Only the services listed in this agreement will be provided to employer. The fees for these services are listed in Section 8.4. The third-party administrator may amend this agreement (including the Employer Application Form) with 30 days advance written notice in order to revise the amount of the service fees. The third-party administrator may terminate this agreement if the service fees are not timely paid.

The third-party administrator will provide a summary of the claims processed and paid.

ARTICLE 8—DESCRIPTION OF SERVICES

8.1 Claims-Related Services

The third-party administrator shall process claims for the employer according to the plan’s Summary of Medical, Dental, and/or Vision Benefits. In this capacity, the third-party administrator will provide the following functions:

* Process claims on the third-party administrator’s claims system.
* Provide customer service related to the self-insured portion of the plan.
* Process payment runs, supplying checks and remittance advice to vendor.
* Provide summary and detail reports for claims processed.
* Provide an ID card for each person covered under the plan.
* Provide access to a primary network of health care providers (subject to the limitations and requirements of the network).
* Provide access to a secondary network of health care providers (subject to the limitations and requirements of the network).

8.2 Records

Employer will provide the third-party administrator with all reasonably necessary information for accurate processing, including but not limited to additions, terminations and changes in eligibility and membership information. Electronic format is preferred.

8.3 Claims Funding

The third-party administrator will maintain a separate bank account for the employer to fund current and future claims.

The employer will pay into its account a predetermined amount established by the third-party administrator for the first three months of the plan. Thereafter, the employer will pay into its account the amount of claims paid on its behalf. Payment is due prior to the next month of coverage, or on such other dates as may be specified by the third-party administrator. Notwithstanding the foregoing, if the third-party administrator determines that the employer’s account is underfunded (based on current and projected future claims), the employer shall pay into its account an additional amount determined by the third-party administrator to eliminate the underfunding.

The third-party administrator may terminate this agreement for non-payment of the amounts required by this section.

8.4 Pricing for Additional Requested Items

The pricing for claims-related services is listed in the Employer Application Form. Pricing for additional services is set forth as follows:

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| --- | --- |
| ID Cards | $5.00each (after issue of first card) |
| Special customized reports | $225.00 per hour (estimate will be provided) |
| Amendment(s) to plan (OFF ANNIVERSARY DATE) | No charge for amendment(s) at beginning of new calendar year; otherwise, $150 per plan amendment |
| Retroactive adjustments as a result of amendment(s) to plan | $25 per claim |

8.5 Patient Privacy Concerns

Assigning Privacy and Security Responsibilities

It is the policy of Redwood Health Services that specific individuals within our workforce are assigned the responsibility of implementing and maintaining the HIPAA (Health Insurance Portability and Accountability Act) Privacy and Security Rule’s requirements. It is also the policy of Redwood Health Services that these individuals be provided with sufficient resources and authority to fulfill their responsibilities. At a minimum it is the policy of Redwood Health Services there will be one individual or job description designated as the Privacy Officer.

Uses and Disclosures of Protected Health Information (PHI)

Protected health information may not be used or disclosed except when at least one of the following conditions is true:

1. The individual who is the subject of the information has authorized the use or disclosure.
2. The individual who is the subject of the information has received our Notice of Privacy Practices and acknowledged receipt of the Notice, thus allowing the use or disclosure and the use or disclosure is for treatment, payment or health care operations.
3. The individual who is the subject of the information agrees or does not object to the disclosure and the disclosure is to persons involved in the health care of the individual.
4. The disclosure is to the individual who is the subject of the information or to HHS for compliance-related purposes.

**Need for Business Associate Agreements**

From time to time, RHS contracts with an individual or company to provide services to RHS or on behalf of RHS. If such a relationship involves sharing or providing access to PHI that RHS maintains, then RHS is required to enter into a written contract, known as a “business associate agreement,” with the individual or company. The primary purpose of the agreement is to ensure that the business associate will use or disclose the PHI for lawful purposes only.

8.6 Participating Affiliated Employer

The employer must list each affiliated employer that is authorized to adopt this plan as a participating employer.   
Each affiliated employer must meet the requirements of Internal Revenue Code Section 414(b) or (c) as provided by   
the Master Plan Document.

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|  |  |  |
| Affiliated Employer Name |  | Employer Federal ID Number |
| (If necessary, attach page with additional Affiliated Employer Name and Employer Federal ID Number.) | | |

ARTICLE 9—EXECUTION OF AGREEMENT

The undersigned adopting employer hereby adopts a master plan, of which this agreement forms a part. The adopting employer agrees that definitions, elections, and terms used in the Master Plan Document and Closing Document shall be part of such plan. Adoption of the plan by the employer is subject to acceptance of this agreement by Redwood Health Services, the third-party administrator. Any term that is not defined in this agreement shall have the meaning assigned to it by the Master Plan Document.

This agreement may be used only in conjunction with the Master Plan Document. By executing this agreement, the

employer understands the following:

* RHS is *not* providing the employer with any tax or legal advice, and the employer is encouraged to consult   
  with its tax and legal counsel concerning such matters.
* As described in the Master Plan Document, RHS has the authority to amend and revise the Master Plan Document and will inform the employer of any amendments or revisions.

Any modification or amendment to this agreement (including the Employer Application Form and any other attachments) will constitute an amendment to the plan. All employer modifications or amendments must be provided to Redwood Health Services before they can become effective. The employer’s ability to modify or amend this agreement and the plan is limited by the rules and requirements of the Master Plan Document.

IN WITNESS WHEREOF, the parties have signed this agreement to be effective as first written above.

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|  |  | Redwood Health Services |
| Employer |  |  |
|  |  | John W. Nacol |
| Employer Administrator |  | RHS Administrator |
|  |  | Chief Executive Officer |
| Title |  | Title |
|  |  | jnacol_sig-sml |
| Signature |  | Signature |
|  |  |  |
| Date |  | Date |