

Ardent Health Services

Domestic Partner Benefits Guide

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Affidavit of Domestic Partnership

This guide summarizes some provisions of a number of the company's employee benefit plans. It does not, however, contain the complete text of the plan documents for each plan. The plan documents, not this guide, are the final authority in all matters relating to plan interpretation, especially if there are any mistakes, omissions or ambiguities in this guide. Ardent Health Services reserves the right to change, or even terminate, any benefit plan at any time, for any reason.

The information in this guide is not intended as legal or tax advice. Because there may be other implications to signing an Affidavit of Domestic Partnership, you are urged to seek appropriate advice before signing it. Information that you provide to Ardent about your domestic partner relationship will be treated as confidential and will not be divulged or shared except as necessary or appropriate to administer benefit plans or as otherwise required by law.

ELIGIBILITY & IMPORTANT DEFINITIONS

Introduction

Ardent Health Services' goal is to offer a cost-effective, comprehensive benefits package that best meets the needs of our employees and their families and allows us to hire and retain the best and brightest employees. Ardent Health Services offers you the option to extend benefits to your domestic partner and his or her dependent children. It's up to you to identify your domestic partner and any dependent children.

Important Note: Under IRS rules, the value of some company-paid benefits for your domestic partner may be taxable, even though the same benefits for a spouse are not. It's important that you understand the tax implications of covering a domestic partner and/or his or her children. Please consult your own tax advisor to determine how these rules affect you, and play close attention to The Effect on Your Pay section of this guide.

Eligibility

You are eligible for domestic partner benefits if you are a benefits-eligible employee working for Ardent Health Services.

Important Definitions

To help you understand domestic partner benefits, it's important for you to know the following terms and definitions as they are used in this document.

Domestic Partners

Benefits are available to same-sex and opposite-sex domestic partners of Ardent Health Services benefits-eligible employees. Ardent Health Services defines domestic partners as two people who have met all of the following criteria:

- For at least 12 months have shared the same principal residence in an intimate, committed relationship of mutual caring and intend to do so indefinitely.
- Agree to be responsible for each other's basic living expenses during the domestic partnership, and agree that anyone who is owed these expenses can collect from either of them.
- Are both 18 years of age or older and of sufficient mental competence to enter binding legal contracts.
- Are not married to anyone, and are not so closely related by blood that a legal marriage between them would be prohibited for that reason in their state of residence.
- Do not presently have a different domestic partner.
- Did not have a different domestic partner in the last 12 months.

If you have an opposite-sex domestic partner and the two of you generally represent yourselves as married, you may have a common law marriage if it is recognized by the state in which you reside. A common law husband or wife is considered a "spouse" rather than a "domestic partner." You should enroll him or her through the regular enrollment process. (See Common Law Marriage section later in this guide for more details)

Eligible Dependents of Your Domestic Partner

You may cover the children of your domestic partner if they meet Ardent Health Services' definition of an eligible dependent. Eligible dependents include your natural, adopted, and step children and the children of your domestic partner as long as they are under the age of 26.

DOMESTIC PARTNER BENEFITS

Legal Tax Dependents

Your domestic partner and/or his or her children may qualify as your dependents for federal income tax purposes for any year in which that individual meets all of the following criteria for the entire calendar year (as specified in Section 152 of the Internal Revenue Code):

- Citizen or resident of the U.S.,
- Lives with you as a member of your household,
- In a relationship with you that does not violate local laws, and
- Receives over half of his or her support from you.

You must maintain, and you and your dependent must occupy, the household in which the dependent resides for the year. A person lives with you as a member of your household even if either (or both) of you are temporarily absent due to special circumstance, including absences of illness, education, business, vacation and military service.

To determine whether you have met the support test (you contribute more than 50% of the money going to support the domestic partner or domestic partner's dependents), compare the amount you contributed to the person's support with the entire amount of the support the person received from all sources, including support the person provided from his or her own funds. Support includes amounts spent to provide food, lodging, clothing, education, medical and dental care and similar items. Generally, the amount of an item of support is the amount of the expense incurred in providing that item. If an item of support is in the form of property or lodging, it must be measured in terms of its fair market value. Expenses that aren't directly related to one member of a household must be divided among the members of the household.

For more information about the criteria for tax dependence, see IRS Publication 152, *"Exemptions, Standard Deduction and Filing Information."*

Affidavit

An affidavit is a sworn statement in writing, signed in the presence of a notary public.

Imputed Income

Under current law, Ardent Health Services' subsidy for providing medical and dental coverage to a domestic partner and that person's children is considered taxable income to you unless the person is your Legal Tax Dependent or your spouse. This means you'll pay federal, FICA, state, local and other applicable payroll taxes on that amount (which will be shown on your paychecks) throughout the year and it will be included on your W-2 Form at the end of each year. The calculation of this additional taxable income is described in the Effect on Your Pay later in this guide. However, this additional taxable income is not included when calculating benefits or contributions under any plan based on compensation (e.g. life insurance).

How to Enroll

- Medical – You may elect to cover your domestic partner and/or his/her dependents.
- Dental – You may elect to cover your domestic partner and/or his/her dependents.
- Vision – You may elect to cover your domestic partner and/or his/her
- Dependent Life – You may elect dependent life coverage for your domestic partner and/or his/her dependents
- Flexible Spending Account - Health Care Reimbursement – You may not be reimbursed for health care expenses for your domestic partner – unless your domestic partner is also your legal tax dependent or your spouse.*.
- Flexible Spending Account - Dependent Care Reimbursement – You may not be reimbursed for dependent care expenses for your domestic partner – unless your domestic partner is also your legal tax dependent or your spouse.*

** To prove that your domestic partner is your legal tax dependent for any year, you must file an Affidavit of Legal Tax Dependency with our Flexible Spending Account administrator.*

During Annual Enrollment

To enroll your domestic partner and your domestic partner's eligible children for any benefits, you must:

1. Complete an Affidavit of Domestic Partnership (enclosed). Include documents that provide proof of financial interdependence such as a joint bank account statement, a joint credit card statement, a title showing joint ownership of a residence, or mutual power of attorney (there's a partial list later in this guide). Copies of birth certificates must be provided to enroll child dependents of domestic partners.
2. Enroll in the coverage that is best for you and your family for the following year via the Benefitsolver website or call center. Submit your documentation via the website or fax number provided.

During the Year

You may file an Affidavit of Domestic Partnership when you become eligible. Be sure to include a document that provides proof of financial interdependence. You must enroll for domestic partner benefits within 30 days of the date you sign the affidavit. Otherwise, you will have to wait for the next annual enrollment period.

Affidavit of Domestic Partnership

By signing an Affidavit of Domestic Partnership before a notary public, you and your domestic partner attest to a series of statements that establish your relationship.

What It Does...

Makes you eligible to enroll your domestic partner and perhaps your partner's children for benefits.

What It Doesn't Do...

Automatically enroll your domestic partner for coverage under the Ardent Health Services' Medical, Dental or Vision Plans. After submitting your affidavit, *you must enroll for these benefits.*

Other Things You Should Know

After carefully reading the enclosed Affidavit of Domestic Partnership, you and your domestic partner will need to provide the information requested on the form and sign it in the presence of a notary public. Send the notarized original to Benefitsolver.

Your Affidavit of Domestic Partnership is valid until you tell us otherwise, unless Ardent Health Services discovers that you have misrepresented important facts in the affidavit. You should know that misrepresenting information about a Domestic Partner relationship to obtain benefit coverage is fraud and grounds for immediate termination. In addition, it may lead to prosecution for fraud under state or federal law.

Claiming a Domestic Partnership relationship may give your domestic partner legally enforceable rights to some of your benefits and other property if you dissolve your relationship ---- similar to joint property rights in a divorce proceeding.

Changes in Status

You may change certain elections relating to Domestic Partner coverage under some benefit plans during the year if you have a change in status and the benefit change you are requesting is consistent with that change. Examples of changes in status include:

- Signing and filing an Affidavit of Domestic Partnership;
- Ending your domestic partnership by filing a Statement of Termination of Domestic Partnership;
- Birth or adoption of a child (yours and /or your partner's);
- A child losing dependent status;
- Your Domestic Partner's gaining or losing his or her health care coverage;
- Death of the Domestic Partner or a child, whether yours or your partner's; or
- Legal marriage.

You must contact Benefitsolver and make any changes within 30 days of the qualifying event. Changes in Status reported more than 30 days after a qualifying event are subject to review. Your benefit changes must be consistent with, and needed on account of, the Life Status Change. Most changes can be made only if you are actively at work.

Common Law Marriage

Some states recognize common law marriages in addition to ceremonial marriages. A ceremonial marriage is a formal wedding with a marriage license, witnesses and a priest, rabbi, judge or other authorized government official. A common law marriage occurs if you live with a member of the opposite sex (someone whom you could legally marry) and represent to the community at large that you are husband and wife.

If you live as husband and wife in a state that recognizes common law marriage, then you *are* married. You have a "spouse," not a "domestic partner."

If you lived as husband and wife in a state that recognizes common law marriage, and then moved to a state which does not recognize common law marriage, you are still married. The U. S. Constitution requires all states to recognize contracts – including marriage contracts – validly entered in other states.

If you have a common law spouse, you can end the marriage only by getting a divorce. There is no "common law divorce." Unless and until you get a formal divorce, your common law spouse may have rights under the Ardent Health Services' life insurance plan.

If you live with a person and refer to him (or her) as your fiancé (or fiancée), significant other, life partner, boyfriend (or girlfriend) – but not as your husband (or wife), you do not have a common law marriage. That is because you are not representing yourselves to the community at large as married. You cannot have a secret common law marriage.

If you do not tell the IRS you are married (by not filing tax returns as a married person), you do not have a common law marriage – because you are not consistently representing yourselves to the community at large as married.

The Effect on Your Pay

Ardent Health Services' share of the cost of covering a domestic partner and his or her children is the same as for a legal spouse and children. For your share, don't just look at the cost of employee only, employee + spouse or family coverage, also consider the tax implications. Your contribution for coverage of a domestic partner is not pre-tax. Also, the value of Ardent Health Systems' subsidy for that coverage becomes taxable income to you. These are IRS rules, not Ardent Health Services' regulations. The net effect is that you'll pay more in taxes for covering a domestic partner and his or her children in medical and dental care than you would for covering a spouse and your own children. So be sure to factor in the additional taxes when determining your total cost.

You will be taxed on both the money you spend (as a payroll deduction) and the money that Ardent Health Services spends (as a subsidy). The portion of your contributions that covers your domestic partner (see examples below) is paid in after-tax dollars. The money that Ardent Health Services spends as subsidy for these benefits is treated as "imputed income." It will show up on your pay stub, and it will be taxed just like ordinary income. You will pay these taxes from your existing pay.

An Exception to the Rule

If your domestic partner and/or his or her children qualify as your legal tax dependents or the domestic partner is your spouse, the IRS does not tax the money spent on their medical and dental coverage. See the definition of legal tax dependents outlined elsewhere in this guide.

Examples

The following three examples are merely for illustrative purposes. The numbers are not intended to mirror exact coverage costs or taxes; they are intended to give you a sense of how post-tax benefits and imputed income can affect your paycheck.

Employee Only

Let's say that for an individual employee, medical coverage cost \$90 per pay period. A single employee pays \$20 and the company pays \$70 towards the total healthcare cost of \$90. The IRS doesn't tax the amount the company pays, and allows the employee to pay the \$20 on a pre-tax basis.

As you look at the following examples, keep these numbers in mind. Although covering a domestic partner does not get the same preferred tax status that employee coverage gets, the IRS will not tax the cost of covering the employee, even when the employee selects Employee + Domestic Partner coverage.

Employee + Domestic Partner

Suppose an employee signs up a domestic partner, increasing the level of coverage to two persons. The employee will now have to pay \$20 pre-tax and \$25 post-tax for a total premium of \$45. The company pays \$120 for a total healthcare cost of \$165 per pay period.

The IRS doesn't tax the company cost (\$70 from the "Employee Only" example above), and allows a pre-tax deduction (\$20 from the example) for the cost of covering the employee, but the company's cost of \$50 (\$120 minus \$70) to cover the domestic partner is included as imputed income in the employee's paycheck, and taxed accordingly. So you'll pay taxes on \$25 (post-tax contributions) plus \$50 (imputed income). An employee who earns \$40,000 annually and claims federal income tax withholding at a single rate with no allowances would pay about \$21 in additional taxes per pay period. So, in this example, the total additional cost to cover the domestic partner would be \$46 per pay period, or \$1,196 per year.

Family

When an employee enrolls a domestic partner and chooses family coverage, the deductions and imputed income reporting are calculated in the same manner as above for Employee + Domestic Partner coverage. The cost of covering the domestic partner and any children (whether they are the employee's or the domestic partner's) will be included in the imputed income calculation. Using the same employee taxing situation as above, the employee would expect to pay \$50 for the coverage and additional taxes of about \$45 per pay period. So, in this example, the total additional cost to cover the domestic partner and any children would be about \$95 per pay period, or \$2,470 per year.

If all covered children are the employee's legal tax dependents, if requested, a year-end adjustment will be made by the company so the W-2 does not reflect the additional taxable income associated with their coverage (see the Legal Tax Dependents section below).

Other Scenarios

- An employee may enroll his or her domestic partner's child (ren) for coverage, without enrolling the domestic partner. In this case, the cost of the employee's coverage is subtracted from the total cost of Employee + Family coverage, unless they are legal tax dependents of the employee.
- For survivors of a deceased employee, the full amount of the Company's contributions for their coverage is taxable income.

When comparing the total cost of coverage (your contributions plus additional taxes), you may find that the domestic partners benefit may not be for everyone. It may be less expensive for you partner to keep the coverage offered by his or her employer, if available.

Legal Tax Dependents

As you now know, the full cost of coverage for your domestic partner and/or his or her covered children will be subject to ordinary federal, FICA, state, local and other applicable payroll taxes throughout the year. However, if all of these covered individuals are your legal tax dependents (see definition elsewhere in this guide), the IRS does not require you to pay taxes on either the company's or you own contributions for medical or dental coverage. To remedy this, toward the end of the year you may request that an adjustment be made so your W-2 form doesn't reflect the additional taxable income for that tax year. If, as a result of withholdings during the year on the additional taxable income, you have overpaid your taxes, you may be eligible for a refund when you file your federal and state income tax returns.

If you want to request an adjustment to your W-2 because your domestic partner and/or his or her child(ren) qualify as your legal tax dependents, you will need to complete an Affidavit of Tax Dependent Status.

If your domestic partner and/or his or her child (ren) meet all criteria as your legal tax dependent(s) for the entire calendar year, you may be able to save some money on taxes. It is your responsibility to file an Affidavit of Tax Dependent Status with Benefitsolver.

If Your Domestic Partner Relationship Ends

Should your relationship with your domestic partner end, or you no longer meet all the eligibility requirements (for example, you no longer live together), you are no longer considered to be domestic partners and your former domestic partner is no longer eligible for Ardent Health Services' benefits. You must complete and submit a Statement of Termination of Domestic Partnership to Ardent Health Services *and* to the person with whom you are dissolving the domestic partnership. This form will revoke your Affidavit of Domestic Partnership. You will receive confirmation that your affidavit has been revoked.

Your domestic partner and his or her children may be eligible for continuation of coverage for certain benefits (see Continuation of Coverage below).

Remember, you may also wish to change the beneficiary designated to receive your life insurance.

In order to file another Affidavit of Domestic Partnership with a different partner, you must once again satisfy all the requirements including living together for 12 months.

If Your Domestic Partner Dies

If your domestic partner or your partner's covered child(ren) dies, please notify Benefitsolver within 30 days.

Continuation of Coverage

Although a domestic partner and his or her dependent children may not have rights to COBRA coverage under existing federal law, Ardent Health Services will offer continuation of coverage in certain cases.

Your domestic partner and his or her covered dependents will be eligible to pay for continuation of coverage if they lose their benefits under certain circumstances or your relationship ends. Continuation of coverage applies to medical, dental and vision.

You must notify Benefitsolver within 30 days of the event so that continuation information can be mailed to you if your domestic partner or covered children lose coverage due to the end of your relationship or loss of dependent child status under Ardent Health Services' plans.

Continuation of coverage participants must pay monthly contributions for their coverage. Contributions are based on the full group rate (employee + company portion) plus 2% for administrative costs.

Continuation of coverage generally follows the same rules as COBRA.

For More Information

If you have questions about any of your benefits after reading this guide, please contact Benefitsolver.

"Nuts & Bolts" Issues

Confidentiality

Information about domestic partners will be maintained in accordance with Ardent Health Services' policy regarding privacy of personal information. Access to his information will be given only to those whose jobs require it. Lists or reports will not be generated using your name, but records will be maintained for tax purposes. Outside of Ardent Health Services, insurance carriers will need information about your domestic partner, and the doctors your domestic partner sees will have their own records naming you as the subscriber.

Imputed income from domestic partner coverage does not count as earnings under the 401(k) Plan. This additional taxable income is not "eligible earnings" under the 401(k) Plan. It merely represents the value of benefits provided for an individual(s) who is not your legal tax dependent. This is consistent with the treatment of other types of "imputed" income – for example, if you have Basic Life Insurance coverage over \$50,000, the additional taxable income resulting from that coverage doesn't count as "eligible earnings."

Domestic Partner Entitlements After You Die

If you've named your domestic partner as your beneficiary, or if no named beneficiary survives you, your domestic partner may be eligible to receive your life insurance and other benefits.

Your domestic partner will be eligible to pay for continuation coverage for up to 18 months for certain benefits, including medical and dental.

More About Legal Tax Dependents

A legal tax dependent who is your domestic partner must have met the criteria (stated elsewhere in this guide) for the entire calendar year. You have no way of accurately determining in advance who is and who isn't your legal tax dependent at the beginning of the year. That is why you need to complete a new Affidavit of Tax Dependent Status at the end of each year.

Instructions

Here is a list of some of the documents that can be used as proof of financial interdependence. Provide a copy of such a document along with this affidavit:

- Mortgage or deed showing joint ownership of permanent residence
- Lease showing joint tenancy for residence
- Proof of common ownership of a motor vehicle
- Joint bank account statement
- Documentation of joint responsibility for debt
- Joint credit card account statements
- Designation as primary beneficiary for life insurance
- Designation as primary beneficiary for retirement benefits
- Designation as primary beneficiary under partner's will
- Assignment of durable property power of attorney to partner
- Assignment of health care power of attorney to partner

For child dependents of a domestic partner, you must also send in a copy of each child dependent's birth certificate.

Send two or more of the above documents along with this signed and notarized affidavit to Benefitsolver.