



MedStar Health

August 20, 2010

Dear Doctor,

I want to make sure that you, as a valued member of our medical staff, are aware of an important decision that was recently reached regarding FICA (Social Security and Medicare) taxes. For several years, there has been significant debate as to whether or not medical residents should qualify as a “student” for purposes of the “student FICA exemption”. A recent announcement by the Internal Revenue Service (IRS) stated that FICA taxes withheld from medical residents during certain time periods may be eligible for a refund of taxes paid.

MedStar Health has been monitoring this process closely over the years, and we filed protective claims for the period January 1, 2000 through December 31, 2003. These protective claims now allow us to reclaim payments made during this time period. **According to our credentialing records, you were enrolled in a graduate medical education program at one of our MedStar hospitals on or about this time period.** As such, you may be eligible for a full refund of FICA taxes, in addition to interest payments on that tax, for the time you were enrolled in accredited residency training during this time period.

MedStar Health will be filing claims to refund the employer’s portion of FICA taxes. We can concurrently file a claim to collect your personal portion of the FICA taxes withheld, if you formally consent, in writing, for us to do so. Enclosed with this letter is a detailed letter from our finance department that outlines this opportunity in detail. Please read this, and review with your accountant, to determine if you want to file the consent form. To consent to receive your share of the refund from MedStar Health, Inc., you must complete an Employee Consent Form and return it to the address provided below, postmarked no later than October 1, 2010.

MedStar Health
1069 West Broad Street
P.O. Box 732
Falls Church, VA 22046

In order most effectively navigate this claim process, we have retained KPMG to assist us with the filing of these claims. KPMG staff are available to answer questions you may have regarding the status of the refund claim, or to verify that they have received your consent form. They can be reached via email at ustaxhcmmedstar@kpmg.com or telephone at 1-877-530-1035. The telephone number is a voicemail box where you will be able to leave a message. Your message will be responded to within 24 hours. Additionally, feel free to contact Ms. Jamie Padmore, MedStar’s AVP for Academic Affairs, at Jamie.S.Padmore@medstar.net or 410-772-6516 with any questions that you may have.

I am pleased to share this good news with you. I hope this finds you well and successful in your medical career. I look forward to hearing from you, and communicating further in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read "W. L. Thomas".

William L. Thomas, M.D.
Executive Vice President, Medical Affairs
Chief Medical Officer



MedStar Health

RESPONSE REQUIRED

August 17, 2010

Re: Medical Resident FICA Refund Claims

Dear Doctor,

As a valued alumnus of our graduate medical education programs, we are pleased to inform you of a recent Internal Revenue Service determination regarding Social Security and Medicare (collectively "FICA") taxes.

Our records indicate that you participated in a medical residency program at a hospital that is a member of MedStar Health, Inc. (collectively "MedStar Health, Inc."), and FICA taxes were paid with respect to your wages from an accredited residency program for services performed by you as a resident or fellow in calendar years 2000-2003. Due to a recent determination from the Internal Revenue Service ("IRS"), you may be eligible for a refund of these FICA taxes, together with statutory interest. This correspondence is intended to provide you with guidance on the steps to take should you choose to participate on this refund claim process.

For some years there has been a dispute between teaching hospitals and the IRS as to whether wages earned by medical residents should be subject to FICA taxes. On March 2, 2010, the IRS announced that it would honor Medical Resident FICA Refund Claims ("MR Claims"). Because we filed protective claims for refund, MedStar Health, Inc. will take part in this refund process for calendar years 2000-2003 and will be filing refund claims.

After we file our MR claim(s), the IRS will verify the amount of the MR claim(s) and begin issuing refunds plus statutory interest. We cannot receive a refund of the FICA taxes that were withheld and paid on your behalf unless we have your written consent. If you do not consent to have MedStar Health, Inc. obtain your refund, you may be precluded from receiving any refund of the FICA taxes withheld and paid on your behalf because the time period for filing an individual claim for refund with the IRS may have expired.

If you consent, MedStar Health, Inc. will pay you your FICA tax refund, plus statutory interest, after we receive the refund from the IRS. The FICA tax refund is not taxable, however, the interest on the refund is taxable to you whether or not you receive a Form 1099-INT, *Interest Income*. MedStar Health, Inc. is required to file Form 1099-INT with the IRS and furnish a copy to you if we pay you interest of \$600 or more in a calendar year.

In addition, MedStar Health, Inc. will file Form W-2c, *Corrected Wage and Tax Statement*, with the Social Security Administration (SSA), and furnish a copy to you for each tax year for which you receive a refund of FICA taxes. Social security benefits are based on your earnings over your

working lifetime. In most cases if you receive a refund of FICA taxes, Form W-2c will show a reduction in your earnings for social security coverage purposes in an amount equal to all the wages you were paid for services performed as a medical resident. Accordingly, based on your personal circumstances, a refund could have a detrimental effect upon disability, survivors, or retirement benefits that you, or your family, are receiving or may seek to receive in the future. If you want information about the effect on your social security benefits, you should contact SSA directly at 1-800-772-1213 (toll free). If you call or visit a Social Security office, please have this letter with you. It will help SSA answer your questions. You might want to review your social security record before and after your refund has been processed. You can use your current Social Security Statement or you can request a copy of your Social Security Statement at the following link: <http://www.ssa.gov/mystatement>.

To consent to receive your share of the refund from MedStar Health, Inc., you must complete the enclosed Employee Consent Form and return it in the return envelope included in this package. Your consent form must be postmarked no later than October 4, 2010.

If you have already claimed and received a refund or credit for FICA taxes that were withheld from medical resident wages, or if you filed an individual refund claim for such FICA taxes and that claim is still pending with the IRS, then we will not be able to file your MR claim for the year(s) that you received a refund or credit or have a pending refund claim. This restriction does not apply if you filed a refund claim and it was rejected by the IRS. If your **individual** refund claim was allowed for some, but not all years, we can file your MR claims for only those years when the claim was denied; check “Yes” for the years you are eligible and “No” for the years you are not eligible on the enclosed form.

If you consent to be part of the MedStar Health, Inc. MR claim and the IRS determines that you are ineligible for a refund because you already received a refund based on an individual claim you filed, the IRS will not refund your share to us and this information may be disclosed to us.

The IRS has not established a timeframe for the issuance of these refunds. Please note that it could take a considerable amount of time for these refunds to get processed. Furthermore, it is possible that the IRS may reject particular claims. We will notify you as we receive information of the amount of the refund you will receive.

KPMG LLP has been engaged by MedStar Health, Inc. to assist us in the filing of the MR Claims. If you have any questions about this letter or the status of the refund claim, please contact KPMG LLP via email at us-tyctaxhcmeststar@kpmg.com or telephone at 1-877-530-1035. The telephone number is a voicemail box where you will be able to leave a message. Your message will be responded to within 24 hours. In addition, please feel free to contact Marc Berger at the MedStar Corporate Office at 410-772-6719 should you require additional help.

Very truly yours,

Michael J. Curran
Executive Vice President
Chief Administrative and Financial Officer

MedStar Health Inc.

Medical Resident Consent Form

Last four digits of SSN: _____

Name: _____
Last, first and middle initial

Prior name: _____
If you changed your name because of marriage, divorce, etc., enter the name used when you were a medical resident.

Address: _____
Number and street or P.O. box number | Apt. No

City, town or post office | State | ZIP code

Note: If foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Please do not abbreviate the country name.)

Email Address: _____ **Telephone Number:** _____

For each year shown below, check "Yes" if you authorize MedStar Health Inc. to collect the refund on your behalf, or "No" if you do not authorize MedStar Health Inc. to collect the refund on your behalf, or you are not eligible for a refund.

2000 YES NO 2001 YES NO 2002 YES NO
2003 YES NO

For each year I checked "Yes" above:

- I have not claimed and will not claim a refund or credit from the IRS for any overcollected FICA taxes from wages paid for services performed as a medical resident, or if I have, the claim was rejected.
- I did not receive a FICA tax refund or credit because of earning in excess of the social security wage base on my Federal income tax return (e.g., Form 1040).
- I understand that my Social Security earnings record will be corrected to reflect zero wages earned as resident for tax periods for which I received a refund. I understand that removing these wages could affect my eligibility to or the amount of future Social Security benefits.
- I give my consent to MedStar Health Inc. to file a Medical Resident FICA Refund Claim on my behalf for refunds of FICA taxes that MedStar Health Inc. withheld from my wages for services I performed as a medical resident.

SIGN HERE ►

DATE:

Return your signed consent form (postmarked no later than **October 4, 2010**) to:

MedStar Health Inc.
1069 West Broad St.
P.O. Box 732
Falls Church, VA 22046

Keep a signed copy of the consent form for your records.