

The California State University
Office of the Chancellor
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HR/BENEFITS 2001-10
Supplement #1

To: Human Resources Directors
Benefits Officers

From: Cathy Robinson, Senior Director
Human Resources Administration

Subject: **HEALTH CARE REIMBURSEMENT ACCOUNT PLAN (HCRA) UPDATE**

Technical Letter HR/Benefits 2001-10 introduced the CSU's new Health Care Reimbursement Account (HCRA) Plan and specified that expenses eligible for reimbursement are limited to those incurred by employees and their tax dependent(s). Please be advised that eligible expenses may be incurred both by tax dependents and dependents as defined in IRS Publication 502. Under Publication 502, a person generally qualifies as a dependent if:

- That person lives with the employee for the entire year as a member of the employee's household, or is related to the employee;
- The person is a U.S. citizen or resident, or a resident of Canada or Mexico for some part of the calendar year in which the employee's tax year began; and
- The employee provided over half of that person's total support for the calendar year.

IRS Publication 502 is located at <http://ftp.fedworld.gov/pub/irs-pdf/p502.pdf>.

Attachment A is a revised draft letter that can be used by campus Benefits Officers to introduce the HCRA Plan to employees (if the campuses have not already communicated the benefit to their employees). Attachment B contains a paragraph that can be used to amend the initial letter if it has already been distributed to employees.

If you have any questions, please contact systemwide benefits at (562) 951-4411. This technical letter is also available on the Human Resources Administration's web site at: <http://www.calstate.edu/tier3/HR-Adm/memos.html>.

CR/fb
Attachments

Distribution:

CSU Presidents
Vice Chancellor, Human Resources
Associate Vice Presidents/Deans of Faculty
Director, SOSS
Payroll Managers

All Without Attachments

Dear CSU Employee:

This letter highlights details of a new voluntary benefit program that California State University (CSU) is pleased to offer. Effective June 1, 2001, CSU will implement a Health Care Reimbursement Account Plan (HCRA) that allows participants to pay for eligible out-of-pocket health care expenses with pre-tax dollars. Contributions to this plan are deducted from your pay warrant prior to federal, state and FICA taxes being withheld.

Medical, dental and vision expenses eligible to be reimbursed by the HCRA Plan include uninsured and medically necessary expenses incurred by you and your dependents. Expenses must be for the diagnosis, cure, treatment or prevention of disease, and for treatments affecting any part or function of the body. Expenses must be to alleviate or prevent a physical defect or illness. Expenses incurred solely for cosmetic reasons or expenses that are merely beneficial to a person's general health are not eligible for reimbursement.

Represented and non-represented employee groups are eligible to participate, with the exception of certain classifications. Please contact your Benefits Office for eligibility requirements.

The effective date of plan coverage for the 2001 plan year will be from June 1, 2001 through December 31, 2001. The annual contribution limit of \$5,000 (\$2,500 for married couples filing separate tax returns) has been prorated to a maximum of \$2,917 and \$1,459 respectively for the 2001 partial plan year. A \$2.00 after-tax administrative fee will be deducted from your pay warrant each month you participate. **Please be advised that in the 2001 plan year you may only claim reimbursement for expenses incurred between June 1, 2001 and December 31, 2001.**

All eligible employees may enroll in the new HCRA Plan during the initial open enrollment that will be held from April 1 through April 30, 2001. The effective date of this new plan will be June 1, 2001, contingent upon the Benefits Office receiving your enrollment form no later than _____. Once payroll deductions have been initiated, the authorization is irrevocable during the plan year, unless a status change event has occurred.

If you decide not to enroll during the 2001 plan year but wish to enroll in the future, you will have an opportunity during subsequent annual open enrollment periods held in the fall in conjunction with enrollment for other CSU benefit programs.

For complete plan details, please refer to the HCRA brochure available in the Benefits Office. For additional information, please contact _____ at XXXX.

Kindest Regards,

Campus Benefits Officer

Dear CSU Employee:

Recently you received a letter introducing the Health Care Reimbursement Account (HCRA) Plan, a new benefit that allows eligible employees to pay for certain out-of-pocket health care expenses with pre-tax dollars. The letter specified that expenses eligible for reimbursement are limited to those incurred by employees and their tax dependents. **Please be advised that eligible expenses may be incurred both by tax dependents and dependents not claimed as an exemption on an employee's tax return, as defined in IRS Publication 502.**

Under Publication 502, a person generally qualifies as a dependent if:

- That person lives with the employee for the entire year as a member of the employee's household, or is related to the employee.
- The person is a U.S. citizen or resident, or a resident of Canada or Mexico for some part of the calendar year in which the employee's tax year began, and
- The employee provided over half of that person's total support for the calendar year.

If you have any questions, please contact _____ at XXXX.

Kindest Regards,

Campus Benefits Officer