

The California State University  
Office of the Chancellor  
401 Golden Shore  
Long Beach, CA 90802-4210  
(562) 951-4411

**Date:** March 9, 2001

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**To:** CSU Presidents

**From:** Jackie R. McClain  
Vice Chancellor  
Human Resources



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

We are pleased to announce the Health Care Reimbursement Account Plan (HCRA), a new employee benefit, for eligible California State University (CSU) employees. This program will provide a valuable benefit to employees who currently pay for eligible health care expenses with after-tax dollars.

The HCRA Plan is a voluntary benefit that offers employees the ability to pay for eligible out-of-pocket health care expenses with pre-tax dollars, in accordance with Internal Revenue Code Section 125. Contributions to this plan are deducted from the employee's pay before Federal, State, Social Security and FICA taxes are withheld. Taxable income is reduced, and consequently, taxable income reflected on a participant's W-2 statement is reduced.

The HCRA Plan will be implemented June 1, 2001 for eligible represented and non-represented employees. An open enrollment for the 2001 plan year will be held from April 1 through April 30, 2001. Thereafter, annual open enrollments will be held in the fall in conjunction with other CSU benefit programs.

Medical, dental and vision expenses eligible to be reimbursed by the HCRA plan include uninsured and medically necessary expenses that are incurred by employees and their tax

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dependents. These expenses must be for the diagnosis, cure, treatment or prevention of disease, and for treatments affecting any part or function of the body. Expenses incurred solely for cosmetic reasons, or expenses that are merely beneficial to a person's general health are not eligible for reimbursement. The annual plan 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.

Systemwide Human Resources Administration held a Benefits Workshop for campus Benefits Officers on March 1, 2001 that provided training and information on the HCRA Plan. Within the next week, and in advance of the campus open enrollment, we will provide campuses additional information on eligible employee groups, criteria for reimbursable expenses, claims/reimbursement process, and enrollment instructions.

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

JRMcC/mh