# DEPENDENT CARE REIMBURSEMENT ACCOUNT (DCRA) AND HEALTH CARE REIMBURSEMENT ACCOUNT (HCRA) PLANS
## ADMINISTRATIVE GUIDE

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INTRODUCTION

The California State University (CSU) offers two flexible spending reimbursement accounts to its eligible employees – the Dependent Care Reimbursement Account (DCRA) and the Health Care Reimbursement Account (HCRA).

The Dependent Care Reimbursement Account (DCRA) Plan qualifies as a "dependent care assistance program" as defined in Section 129(d) of the Internal Revenue Code and meets the requirements of any other applicable provisions of law.

The Health Care Reimbursement Account (HCRA) Plan qualifies as a "flexible spending arrangement" as defined in Section 106 of the Internal Revenue Code and meets the requirements of any other applicable provisions of law.

Both plans are voluntary and allow for reimbursement of eligible out-of-pocket expenses from money deducted from an Employee’s pay before Federal, State, Social Security, and Medicare taxes are deducted. Taxable income on an Employee’s annual W-2 statement is reduced by the amount placed in the account(s). This amount is held in the individual account(s) until the Employee incurs eligible expenses and files a claim for reimbursement.

- Expenses eligible for reimbursement from:
  - DCRA are amounts paid out-of-pocket for dependent care if the care is required in order for the Employee (and Employee’s spouse, if applicable) to work, or look for work.
  - HCRA are amounts paid out-of-pocket for the diagnosis, cure, mitigation, treatment or prevention of disease, and for treatments affecting any part or function of the body. The expenses must be to alleviate or prevent a physical or mental defect or illness.

This Administrative Guide provides guidelines for the Dependent Care Reimbursement Account (DCRA) and Health Care Reimbursement Account (HCRA) Plans, and is the official Plan document. Guidelines have been combined where similar. Where guidelines differ, instructions have been separated and so noted. Both plans are governed by federal Internal Revenue Service (IRS) rules, which can change at anytime. If there is a discrepancy between the information in this Administrative Guide and the IRS rules, the IRS rules supersede the Administrative Guide.

Special Restrictions – Internal Revenue Service (IRS) Rules

- Participants in DCRA and/or HCRA must re-enroll during every annual open enrollment period to participate during the following Plan Year. **Enrollment is not automatic, even if the employee participated the previous year.**
- A Participant’s Salary Reduction election may not be changed or revoked during the Plan Year unless the Participant has a permissible Change in Status Event as described by IRS regulations.
- Claims may be filed for expenses incurred during the Plan Year, or during the 2 ½ month grace period claims extension following the end of any current plan year. Expenses may not be reimbursed until services are provided.
- If a Participant does not use the money in his/her account for expenses incurred during the Plan Year or any applicable 2 ½ month grace period, the funds will be forfeited. Excess contributions may not be refunded to the individual or be carried over into the next Plan Year.
Enrollment Authorization forms for CSU employees are sent directly to the State Controller’s Office for processing. Responsibility for contract and plan administration rests with Human Resources Management within the Chancellor’s Office, with day-to-day administration delegated to the campuses. Human Resources Management interprets regulations and communicates pertinent updates via coded memorandums and systemwide training; monitors balances to substantiate plan solvency; answers questions; assists campuses in resolving issues regarding the enrollment and/or processing of plan authorization documents. Application Software Inc. (referred to as ASI and ASIFlex) serves as the CSU’s claims administrator for DCRA and HCRA and is responsible for reviewing and approving all reimbursement claims, tracking of employee account balances and issuing CSU-approved reimbursement payments.

SECTION 1 - DEFINITIONS

A. **Campus Benefits Representative** means a CSU Employee responsible for communicating benefit plan information to Employees at each campus.

B. **Change in Status Event** means an event which qualifies a Participant to make changes to his/her Salary Reduction election (e.g., increase/decrease; stop/start Salary Reduction Election).

C. **Claims Administrator** means the party designated by the CSU to administer claims under the Plans. The Claims Administrator is:

   ASIFlex  
P. O. Box 6044  
Columbia, MO  65205-6044  
Telephone: (800) 659-3035 ♦ Automated Response System: (800) 366-4827  
Web site: www.asiflex.com ♦ E-mail: asi@asiflex.com

D. **Code** means the Internal Revenue Code, as amended, as it now exists or as it may be amended from time to time.

E. **Compensation** means the total cash remuneration paid to an Employee during a Plan Year for services rendered to the Employer, as determined for purposes of Federal Income Tax Form W-2. For purposes of determining an Employee’s compensation for tax purposes, any election by the Employee to reduce his or her regular cash remuneration under Code Sections 125, 401(k), 403(b), 414(h) or 457 shall be treated as if the Employee did not make such an election.

F. **CSU Claims Unit** means Claims Administrator staff responsible for processing CSU Participant claims.

G. **Dependent (DCRA)** means either:

   (1) A child who is under the age of 13 and can be claimed as a federal tax dependent of the Employee (as defined in Section 152 of the Code); or

   (2) A relative or household member of an Employee who (a) is physically or mentally incapable of caring for himself or herself (i.e., an elderly member of the household that requires supervised care in order for the Employee to be able to work), (b) has the same principal place of abode as the taxpayer for more than one-half the year and (c) can be claimed as the Employee’s federal tax dependent (as defined in Section 152 of the Code); or
(3) The spouse (as defined under federal law) of an employee who is physically or mentally incapable of caring for himself/herself and who has the same principal place of abode as the Employee for more than one-half the year.

Note: A domestic partner (and/or a child of a domestic partner) may be considered a Dependent for purposes of reimbursement of dependent care expenses if the domestic partner (and/or child of a domestic partner) meets the definition of dependent of the Employee as described in Section 152 of the Code. Registration of the domestic partnership with the Secretary of State is not required to qualify as a Dependent, under this definition.

H. **Dependent (HCRA)** means the spouse (as defined under federal law in Code Section 152), a "qualifying child," or a "qualifying relative" of the Employee.

For HCRA purposes, a "qualifying child" means an individual who:

1. Resides with the Employee for more than half the year;
2. Is the Employee’s child, stepchild, sibling, stepsibling or any of the descendents of these relatives (adopted and qualified foster children are considered the taxpayer’s children);
3. Is under age 19, or under age 24 in the case of a full-time student. No age limit applies to any of the listed individuals if they are totally and permanently disabled; and
4. Does not provide over one-half of his or her own support.

For HCRA purposes, “qualifying relative” means an individual who:

1. Receives over half his support from the Employee;
2. Is the Employee’s child, sibling, step-sibling or any of their descendents; a parent or step-parent or any of their ancestors; an aunt, uncle, niece, or nephew; children or parents-in-law; or an unrelated individual who shares the taxpayer’s residence as a member of the household; and
3. Is not a qualifying child of the Employee or another taxpayer during the plan year.

Note: Domestic partners (and/or a child of a domestic partner) may be considered a Dependent for purposes of reimbursement of medical expenses if the domestic partner (and/or child of a domestic partner) meets the definition of Dependent as described above. Registration of the domestic partnership with the Secretary of State is not required to qualify as a Dependent, under this definition.

I. **Dependent Care Expenses** mean the expenses specified in Section 4 of this guide that qualify as eligible expenses for DCRA.

J. **Dependent Care Tax Credit** means the federal tax credit a taxpayer can claim on a federal tax return for child and dependent care expenses.

K. **Earned Income (DCRA only)** means wages, salaries, tips and other taxable Employee Compensation, plus net earnings from self-employment, computed without regard to any community property laws. It does not include any amounts received as pension, annuity, workers’ compensation, unemployment
compensation, or a non-resident alien’s income not connected with United States business, or as reimbursement of eligible expenses under this Plan or any other employer's dependent care assistance program.

For each month an Employee’s spouse is either a full-time student in an educational institution or incapable of caring for himself/herself, such spouse shall be deemed to be gainfully employed and to have earned income of not less than:

(1) $250 per month, if the Employee has only one Dependent for the Plan Year, or
(2) $416.66 per month, if the Employee has two or more Dependents for the Plan Year.

L. **Employee** means a common-law employee of the Employer.

The term **Employee** does not mean:

(1) A self-employed individual, as defined in Code section 401(c)(1)(A),
(2) A member of the Board of Trustees who is not otherwise an Employee,
(3) A person the Plan Administrator determines is an Employer's independent contractor, or
(4) A person the Plan Administrator determines is an Employer and engages as a consultant or advisor on a retainer or fee basis.

M. **Employer** means The California State University (CSU) and any successor thereto.

N. **Forfeiture** means remaining HCRA and/or DCRA funds in Participants’ accounts that are unclaimed after the claims filing period ends for the Plan Year. Claims filing period ends June 30 of each calendar year.

O. **Experience Gain** means the excess salary reduction contributions paid and income (if any) of the Plan over the Plan's total claim reimbursements and reasonable administrative costs for the Plan Year.

P. **GRACE PERIOD CLAIMS EXTENSION** means the period of January 1 through March 15, immediately following the end of the prior plan year that allows participants to claim reimbursement for eligible expenses for services incurred during this specific time frame. Reimbursement for claims incurred during this period can be applied toward balance(s) that remains in respective account(s) after December 31. Applies to DCRA and HCRA.

Q. **Health Care Expenses** mean the expenses specified in Section 4 of this guide that qualify as eligible expenses for HCRA.

R. **Highly Compensated Employee (HCE) (DCRA Only)** means, in general, an individual who:

(1) Was a five percent owner during the current or preceding year, or
(2) For the preceding year:
a. Earned more than $110,000 in 2011 as increased by regulations issued by the Secretary of the Treasury, and
b. If the Employer elects to apply this clause, as permitted under Code section 414 (q)(1)(B), for the preceding year and was in the top 20 percent of all Employees by Compensation for the preceding year.

Q. **Highly Compensated Individual (HCI)** means, in general, an individual who is:

1. An officer;
2. A more-than-5% shareholder;
3. A highly compensated Employee (determined by the facts and circumstances); or
4. A spouse or dependent of any of the above.

R. **Human Resources Management (HRM)** means a division of the Chancellor’s Office responsible for carrying out the centralized administrative functions of the Plan(s). It acts as the Plan Administrator in most situations.

S. **Open Enrollment Period** means the annual period during which eligible Employees may elect Salary Reduction amounts for the following Plan Year. The annual Open Enrollment Period is normally held in September-October.

T. **Participant** means an eligible Employee who participates in the Plan pursuant to Section 2 of this guide.

U. **Plan(s)** mean the CSU Dependent Care Reimbursement Account (DCRA) Plan and the CSU Health Care Reimbursement (HCRA) Plan, as they may be amended from time to time.

V. **Plan Administrator** means the California State University (CSU). Certain administrative functions for the Plan(s) may be delegated to any other person(s) or entity.

W. **Plan Year** means the twelve month period beginning January 1 and ending the following December 31. Plan records shall be established and maintained on the basis of the Plan Year.

X. **Salary Reduction** means a specified amount by which a Participant's Compensation is decreased, pursuant to a Salary Reduction election for Federal income tax, Social Security tax, and Medicare tax purposes and, wherever permitted, for state and local income tax purposes. The Salary Reduction election is included in the enrollment document for the Plans. (See the Dependent Care/Health Care Reimbursement Account Plans Enrollment Authorization form in Appendix A.) The Salary Reduction amount is credited to the Participant's account for the sole purpose of paying eligible expenses.

Y. **State Controller’s Office (SCO)** means the CSU’s payroll agent.

Z. **Tax Year** means the year in which taxes are collected/deducted (i.e., January 1 – December 31).
SECTION 2 – ELIGIBILITY

2.1 Dependent (DCRA) and Health Care Reimbursement Account (HCRA) Plans Eligibility

Nonrepresented and represented Employees may participate in the DCRA and HCRA Plans with the exception of the following classifications (unless concurrently appointed in an eligible class):

- Student classifications (0100, 1150, 1151, 1152, 1153, 1868, 1869, 1870, 1871, 1872, 1874, 1875, 1876),
- English Language Instructors (CSULA Only) – 1350, 1360, Teaching Associate, Summer Term - 2324
- Graduate Assistants (2325, 2326, 2355),
- Instructional Faculty, Summer Sessions/Terms – 2160, 2282 (Department Chair), 2390, 2402, 2457
- Instructional Faculty, Special Programs for Credit – 2322, 2323,
- Faculty Unit 403(b) Deduction Monthly – 2337,
- Instructional Faculty, Designated Discipline - Extra Quarter Assignment (2367),
- Instructional Faculty, Extra Quarter Assignment – QSYRO (2368),
- Instructional Faculty, Executive Committee, Academic Senate (2394), Trade rate employees,
- Special pay classifications (1800, 2322, 2323, 2336, 2337, 2356, 2357, 2362, 2363, 2365, 2974, 4660, 8347, 7930, 7940),
- Rehired Annuitants, including FERP participants, and
- Employees appointed without a timebase, in any classification (e.g., intermittent, indeterminate).

Any person who performs service for the CSU solely as an independent contractor shall not be eligible to participate in either Plan.

SECTION 3 – ENROLLMENT AND PLAN PARTICIPATION

3.1 Initial Enrollment and Open Enrollment - Time Requirements

Eligible Employees may enroll in the Plan within sixty (60) days of eligibility (includes employees that experience a change in status event), or reemployment if there has been a break in service of more than thirty (30) days, or during open enrollment. An Enrollment Authorization Form for the Plan(s) they wish to participate in must be completed and submitted to the Campus Benefits Representative. (See Appendix A for a copy of the form and Appendix B for instructions.)

Employees that are enrolled as a new hire subsequent to the beginning of the Plan year, will be enrolled for the remainder of the Plan year, and coverage is effective on the 1st of the month following enrollment and is subject to the State Controller’s Office (SCO) processing timelines.

If enrollment forms are received by the State Controller’s Office (SCO) by the 10th of the month, the effective date of the Plan is the first of the following month. Forms received after the 10th extend the effective date to the first of the second month following eligibility. For initial enrollment, an Employee who is on leave of absence without pay, temporary disability compensation, non-industrial disability leave, industrial disability leave, or other non-pay status may not enroll while in such status, but may enroll within sixty (60) days of returning to eligible active status provided that he/she would otherwise have been eligible to enroll during the non-pay status.
The last possible participation effective date for a newly eligible Employee is December 1 of the Plan Year. For enrollment to be effective December 1, the SCO must receive the enrollment form by November 10.

If an employee is hired in September, October or November of any Plan year, the employee must complete an Enrollment form for current Plan year enrollment and also for the following Plan year, if he/she wishes to continue enrollment after December 31 of the current Plan year.

Eligible Employees who do not enroll within these time limits will not be eligible to enroll until the next annual Open Enrollment, unless there has been a Change in Status Event. (See Section 6 and Appendix C for a list of eligible Change in Status Events and Section 5 for limits on allowable Salary Reduction amounts and restrictions on mid-plan year changes.) An Open Enrollment Period is held each year for participation in the following Plan Year.

No retroactivity is allowable under the Plan(s). Eligible Employees who are granted a leave of absence without pay, or terminate employment may be eligible to continue coverage in the HCRA Plan through the end of the Plan Year by making direct after-tax payments to the Claims Administrator. (See Section 8 Continuation of Coverage guidelines for more details.) The DCRA Plan does not have a continuation of coverage option.

3.2. **Annual Reenrollment**

Participants must reenroll annually to continue participation in either Plan. Enrollment in DCRA and HCRA coincide with other CSU plan enrollments held in September-October. The Campus Benefits Representative is responsible for forwarding all completed forms to the SCO. Open enrollment documents must be received in the State Controller's Office by November 10th to be effective the following January 1st.

3.3. **Reinstatement of Former Participant**

A former Participant will again become a Participant if and when that individual meets the eligibility and enrollment requirements. However, if a former Participant returns to service during the same Plan Year, and within thirty (30) days of the date participation ended, the prior benefit election will be reinstated and the Participant may not make any new elections for the remainder of the Plan Year, unless there is a Change in Status Event as described in Section 6 and Appendix C. A former Participant returning to work in the same Plan Year is entitled to any remaining balance in his/her account for expenses incurred only while an active Participant.

3.4. **Completion of Enrollment Forms**

An Enrollment Authorization form must be completed for enrollment in the Plan. There is one Enrollment Authorization form for both plans. The form is used for new enrollments, changes of enrollment, and cancellations of enrollment. A copy of the Enrollment Authorization form is contained in Appendix A.

The Permitting Event Code Chart (Appendix D) provides a list of permitting event codes, permitting event dates, time limits, and effective dates for use in completing the Enrollment Authorization form. For timely processing, all of the conditions in Appendix D relative to the permitting event code must be satisfied. No retroactive enrollments are allowed in the Plan(s).

Permitting event codes are used when there is a Change in Status Event. (See Section 6 Change in Status or Revocation of Salary Reduction Election and Appendix C for a list of Change in Status Events.)
The Salary Reduction amount and the Plan Code must be entered on the form. The following enrollment Plan Codes are provided for the current plan year:

<table>
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<th>Plan Name</th>
<th>2011 Plan Deduction Codes</th>
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<td>380-024</td>
</tr>
<tr>
<td>HCRA</td>
<td>378-024</td>
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<tr>
<td>Administrative Fee</td>
<td>375-001</td>
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(Note that the last three digits of the DCRA and HCRA Plan Codes change incrementally each year. The Administrative Fee code, however, remains the same from Plan Year to Plan Year.)

A copy of the completed Enrollment Authorization form should be given to the Employee and a copy should be placed in the Employee’s file. The original should be sent to the SCO at the following address:

Personnel/Payroll Services Division
Attention: Miscellaneous Deductions Unit
State Controller’s Office
P.O. Box 942850
Sacramento, CA 94250-5878

The Enrollment Authorization form is in an electronic format and can be downloaded from [http://www.calstate.edu/Benefits/flexible/hcra.forms.shtml](http://www.calstate.edu/Benefits/flexible/hcra.forms.shtml).

3.5. **Conditions of Participation**

Upon enrollment in the Plan, each eligible Employee shall be deemed to have agreed to the terms and provisions of the Plan and shall be bound thereby.

3.6. **Termination of Participation**

Participation in this Plan shall terminate as of the later of:

1. The end of the current Plan Year, if a Participant fails to reenroll during the annual open enrollment period. Please note: if funds remain in an account at the end of the current Plan Year, the participant can request reimbursement for eligible expenses under the grace period claims extension provision.

2. The date an individual has been reimbursed for the entire elected annual contribution level and has zero funds left in his or her account, following cancellation or failure to reenroll. (Please note: if an employee’s account balance(s) are exhausted in either DCRA and/or HCRA while still employed, the monthly deduction amount will continue to be deducted from each pay warrant until the end of the Plan year.)

3. Upon termination of employment, unless Employee continues to make after-tax contributions to the Plan (HCRA only) through Continuation of Coverage. Once an Employee no longer makes contributions to the account, the individual is terminated from active participation in the Plan. Eligible expenses are for services provided through the end of the month in which the last contribution was made. Eligible Expenses, incurred by the Employee while in active employment status, may be reimbursed after termination of employment up to six months after the end of the Plan Year.)
(4) The date of the Employee’s death, unless beneficiary qualifies for or elects Continuation of Coverage (HCRA only).

(5) Upon termination of this Plan.

**SECTION 4 – ELIGIBLE AND INELIGIBLE EXPENSES**

### 4.1 Eligible Dependent Care Expenses

(1) Eligible Dependent Care Expenses are amounts paid by a Participant for household services or for care of a Dependent. Such expenses must be incurred to enable the Participant and spouse, if married, to be gainfully employed, actively seek gainful employment, or be a full-time student. Full-time student means a person enrolled at, and attending an educational institution during at least part of each of five calendar months of the Employee’s tax year for the number of course hours that the institution considers is full-time course of study. Attending a school exclusively at night does not constitute a full time student. The Dependent Care Expenses must also meet the following requirements:

a. If such expenses are incurred for services outside a Participant's household, they must be incurred for the care of a Dependent who is:
   
   (i) A child under the age of 13 and can be claimed as a federal tax dependent of the Employee (as defined in Section 152 of the Code); or
   
   (ii) A relative or household member of an Employee, who is physically or mentally incapable of caring for himself/herself, has the same principal place of abode as the Employee for more than one-half the year and can be claimed as the Employee’s federal tax dependent (as defined in Section 152 of the Code). Also applies to an elderly member of the household that requires supervised care in order for the Employee to be able to work. Generally, the relative or household member must live with the Employee for at least eight (8) hours per day (therefore, this person cannot reside in a nursing home); or
   
   (iii) The spouse (as defined under federal law) of an Employee, who is physically or mentally incapable of caring for himself/herself, and who has the same principal place of abode as the Employee for more than one-half the year.

b. If such outside services are provided by a dependent care center, such center must:

   (i) Receive a fee, payment or grant for providing services for any of the individuals (regardless of whether such facility is operated for profit);

   (ii) Provide care for more than six individuals (other than individuals who reside at the facility); and

   (iv) Comply with the applicable State and local government laws and regulations.

### 4.2 Ineligible Dependent Care Expenses

(1) Dependent Care Expenses shall in no event include amounts paid by a Participant to:
CSU DCRA & HCRA ADMINISTRATIVE GUIDE

a. An individual with respect to whom a deduction is allowable to the Employee or the spouse under Section 151(c) of the Code (relating to personal exemptions for Dependents); or

b. A child (within the meaning of Section 152(f)(1) of the Code) of the Employee under the age of 19 at the close of the Plan Year in which such amounts are paid whether or not the child is a tax dependent of the Employee.

Dependent Care Expenses shall in no event include amounts paid by a Participant for the overnight camp expenses of a Dependent.

(3) Unless incidental, minimal, and inseparable from the cost of caring for a Dependent, the Plan shall not pay any charges in connection with a Dependent's:

a) Food,
b) Clothing,
c) Entertainment,
d) Activities, or
e) Education.

(4) Dependent Care Expenses shall not include costs for transportation between the Participant’s home and the place where dependent care is provided.

(5) Additional DCRA Exclusions:

a) General “baby-sitting” other than during Employee or spouse’s work hours,
b) Nursing home care,
c) Expenses that would not otherwise be eligible to be credited on the Employee’s tax return,
d) Expenses for which the Employee takes the IRS Child Care Credit when he/she files a tax return, or
e) Expenses that cost more than the amount of income the Employee the spouse, if married, earns annually.

It shall be the responsibility of each Participant to submit a claim for reimbursement only for Dependent Care Expenses, which meet the requirements of this section and all other requirements of the Plan. (Reference IRS Publication No. 503 for a list of expenses that qualify for reimbursement.)

4.3 Child Care Tax Credit vs. DCRA

Dependent care expenses may qualify for a tax credit on an Employee’s income tax return. The credit is based on an Employee’s adjusted household gross income and the number of eligible Dependents. Employees should be referred to their financial planner or tax advisor to determine how they may benefit from one method or another.
The Dependent Care Tax Credit is $3,000 for one dependent and $6,000 for two or more dependents. The amount of expenses eligible for the Dependent Care Tax Credit will be reduced, dollar for dollar, by the amount of expenses reimbursed through a DCRA. For example, if in any Tax Year an Employee has $4,000 in Dependent care expenses for one Dependent during the year, and decides to pay $3,000 through a DCRA, the Employee will lose all tax credit eligibility and the additional $1,000 in expenses cannot be claimed as a tax credit, even though the expenses were different from those claimed under a DCRA.

4.4 Child Care IRS Reporting Requirements

The IRS requires taxpayers who claim either a Dependent Care Credit or a DCRA exclusion to report certain information with their income tax returns on Form 2441 (1040 filers) or Schedule 2 (1040A filers). The information required includes the name, address, and Taxpayer's Identification Number (TIN) of the care provider. For individuals, their Social Security numbers are their TINs. For others, the Employer Identification Number (EIN) is generally the TIN. However, the TIN is not required for dependent care provided by certain tax-exempt organizations. If the required information is not supplied, the taxpayer will lose the credit or exclusion unless he or she can show that due diligence was exercised in attempting to furnish it.

Any one of the following documents may be used to show due diligence:

- A completed Form W-10, Dependent Care Provider’s Identification and Certification. This is an IRS form that individuals should give to each of their care providers to complete and return;
- A copy of the care provider’s Social Security card or driver’s license;
- A recently printed letterhead or printed invoice from the provider if it includes the name, address and TIN of the provider; or
- A copy of the completed Form W-4, Employer's Withholding Allowance Certificate, if the provider is the taxpayer’s household employee.

4.5 Eligible Health Care Expenses

(1) Expenses eligible to be reimbursed from the Health Care Reimbursement Account (HCRA) include all medical, dental and vision expenses not covered or reimbursed by insurance or another plan that are medically necessary and are incurred by the Participant and the Participant's Dependents (e.g., spouse, child and domestic partner). These include expenses 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 or mental defect or illness. Expenses incurred solely for cosmetic reasons or expenses that are merely beneficial to a person's general health (except certain smoking cessation and weight reduction programs that meet the necessary requirement) are not eligible for reimbursement.

(2) To be reimbursed, expenses for medical care, as defined in Section 213(d) of the Internal Revenue Code, must be incurred within the Plan Year (or subsequent Grace Period Claims Extension) for which a Participant is enrolled in the Health Care Reimbursement Account. Expenses qualify for the HCRA plan based on when incurred, not when the bill is paid or received. Federal regulations do not allow any insurance premiums or long term care expenses to be included under the HCRA plan. Refer to IRS Publication 502 (available at www.asiflex.com) for general guidance on tax deduction health expenses. Please note that not all expenses in IRS Publication 502 are reimbursable under the CSU HCRA plan.
Below is a partial list of expenses eligible for reimbursement under the Health Care Reimbursement Account plan. (Also, see 4.6 of this guide for examples of ineligible expenses.)

Please refer to Section 7 for claims processing information.

**Medical Expenses**

- Deductibles
- Copayments
- Charges for routine check-ups, physical examinations, and tests connected with routine exams
- Charges over the “reasonable and customary” limits
- Expenses not covered by the medical plan due to a pre-existing condition, or exclusion by the insurance company
- Drugs or medicines requiring a doctor’s prescription (cost not covered by insurance) – purchased in the United States, unless purchased and consumed abroad.
- Over-the-counter medicines that are prescribed by a doctor
- Smoking cessation programs, related drugs and/or medicines prescribed by a doctor
- Weight loss programs, supported by a physician’s statement, including membership, or program fees for individuals diagnosed with hypertension or obesity (weight-loss programs for general health improvement do not qualify as an eligible expense)
- Other expenses not covered by the medical plan that qualify as a federal income tax deduction, such as lactation supplies (i.e., breast pumps), special services, and supplies for the disabled

Additional Information:

**Meals and Lodging**: The cost of meals and lodging may be reimbursable if the expense is incurred while an eligible individual is away from home and receiving health care treatment. Meals may be reimbursable if the expense is incurred in a medical facility. Reference IRS Publication 502 for specific requirements.

**Transportation**: A Participant may claim up to a certain amount per mile for transportation required for health care (the “per mile” amount is set by the IRS and may vary per tax year). Annual mileage rates are maintained on the Claims Administrator’s website. A Participant should indicate the number of round trip miles on the reimbursement claim form and receipt(s) for drugs, doctor’s visit, etc. Parking and/or toll expenses also can be claimed if a receipt is provided.

**Dental Expenses**

- Deductibles
- Copayments
- Expenses that exceed the maximum annual amount allowed by your dental plan
- Charges over the “reasonable and customary” limits
- Orthodontia treatments that are not strictly cosmetic. Eligible orthodontic expenses can include: required down payments, monthly payments and banding fees.

Note: Initial requests for reimbursement of orthodontic treatment must include a contract or statement from the orthodontist. This documentation must reflect the beginning date of treatment, total cost of treatment, and estimated length of treatment. The entire cost of treatment must be prorated over the entire anticipated treatment period. This means that you
can only receive reimbursement for orthodontic costs incurred during each Plan Year of participation, even if you pay the entire treatment cost in the current Plan Year. Participants who expect treatment to extend beyond the plan year he/she is currently in are encouraged to re-enroll for the following Plan Year for reimbursement of pending expenses.

**Vision and Hearing Expenses**

- Vision examinations and treatment (cost not covered by insurance or another plan)
- Prescription eyeglasses contact lenses, and/or (prescription) sunglasses (cost not covered by insurance or another plan)
- Contact lens solution and enzyme cleaner
- LASIK Surgery
- Cost of hearing aids and batteries

**4.6 Ineligible Health Care Expenses**

Over-the-counter (OTC) medicines and drugs (not prescribed by a physician) are NO LONGER allowed as a reimbursable expense under HCRA as of January 1, 2011, due to IRC changes. In order to be reimbursed for such items as allergy medications, smoking cessation medications, aspirin, cold medications, vitamins and nutritional supplements, etc., a prescription from a physician is required.

Below is a partial list of expenses *not* eligible for reimbursement under the Health Care Reimbursement Account Plan. (Reference IRS Publication No. 502 for a list of ineligible expenses.)

- Any and all insurance premiums, warranty fees, or service contracts
- Long-term care expenses (including nursing home charges)
- Surgery or procedures that are strictly cosmetic, such as electrolysis, hair transplants, plastic surgery, spider vein removal, teeth whitening or veneers
- Health Club Dues (even if doctor prescribed)
- Non-prescription, over-the-counter medicines and vitamins (unless prescribed by a physician)
- Marriage or family counseling
- Expenses related to general health (even if prescribed by a doctor)
- Expenses that are not tax deductible under the Code
- Expenses which are reimbursable under another plan

**SECTION 5 – PLAN FUNDING**

**5.1 Salary Reduction Election**

Each eligible Employee may make a written Salary Reduction election on the Enrollment Authorization form to have his/her annual compensation reduced, but not below zero.

**5.2 Establishment of Accounts**

Upon receipt of the Enrollment Authorization form, the State Controller’s Office (SCO) establishes the monthly Salary Reductions on the payroll. The Claims Administrator receives monthly Participant contribution data through an Internet payroll deduction file from the SCO via Secure File Transfer Protocol.
Participant contributions are received by the CSU from the SCO and deposited into the trust fund account(s).

The Claims Administrator maintains a bookkeeping account for each Participant and credits each account with the amounts received/specified by the Participant. These accounts are for bookkeeping purposes only; any payments under the Plan(s) are made entirely out of the assets of the Plans’ Trust Fund. The CSU authorizes the transfer of funds from the trust account(s) to the Claims Administrator for claim payments.

The CSU retains title to and beneficial ownership of any of the Plan assets, which are earmarked for payment of benefits under the Plan(s). The IRS prohibits the transfer of funds from one pre-tax account to another. If an Employee participates in both Plans, funds from one account cannot be used to reimburse expenses in the other account.

### 5.3 Notification of Account Balances

The Claims Administrator produces Participant accounting statements reflecting the Participant's contributions deposited, reimbursement requests submitted, payments made and account balance. If the Participant has provided the Claims Administrator with a valid E-mail address, then the Participant will receive notification via E-mail that the accounting statement is available via the Claim Administrator's secure online self-service website at https://www.my.asiflex.com/. The statements are mailed to the Participants quarterly if the Participant has not provided the Claims Administrator with a valid E-mail address. Campus Benefits Representatives are not responsible for maintaining or tracking Employee contributions or account balances. However, Campus Benefits Representatives are responsible for ensuring the monthly Salary Reduction amount(s) on the Enrollment Authorization Form comply with Plan guidelines, and are submitted in a timely manner to the SCO upon receipt from the employee.

### 5.4 Limits on Amount Contributed to the Plan (Monthly Contributions)

1. **Dependent Care Reimbursement Account Plan**
   a. The minimum Salary Reduction amount is $20 per month up to a maximum of $416.66 per month. However, the annual Salary Reduction amount shall not exceed the lesser of the following:

      (i) $5,000 ($2,500 if the Participant is married and files a Federal Income Tax return separately from his/her spouse), or

      (ii) $416.66 per month times the number of months the Employee is eligible to participate in the Plan (monthly cost cannot exceed $416.66), or

      (iii) The Participant's annual compensation, or

      (iv) The Earned Income of the Participant's spouse, if the Participant is married. However, the applicable special limit in Code Section 21(d) applies if the Participant's spouse is a full-time student, or is seeking gainful employment, or is physically or mentally incapable of caring for himself/herself. This Code Section sets the spouse’s income limit at $250 for each calendar month that the spouse is disabled or a full-time student. If an employee has two or more Dependents, the spouse is deemed to have income of $416.66 for each such calendar month.
b. For the DCRA Plan, an Employee’s Salary Reduction election amount is limited by the participation of the Employee’s spouse in the same type of plan (IRS Code Section 129) offered by his/her employer. This also is true if the spouse is a CSU Employee.

(2) Health Care Reimbursement Account Plan

a. The minimum Salary Reduction amount is $20 per month up to a maximum of $416.66 per month. The full Plan Year Salary Reduction amount shall not exceed $5,000, or the Participant’s annual Compensation. Employees who enroll mid-year are limited to a maximum contribution of $416.66 per month.

b. For the HCRA Plan, an Employee’s Salary Reduction election amount is not limited by the spouse’s participation in the same type of plan offered by the spouse’s employer, including the CSU. However, eligible expenses can only be reimbursed under one plan.

Please Note: The federal tax rules regarding DCRA described in this section do not apply to registered domestic partners or same-sex married couples.

Salary Reductions are exempt from Federal, State, Social Security, and Medicare taxes. They are not, however, exempt from CalPERS retirement contributions. Since contributions to DCRA and HCRA are exempt from Social Security taxes, Social Security benefits for a Participant at retirement may also be reduced because Social Security taxes have been paid on a lower wage amount.

5.5 Modification and Suspension of Salary Reduction Elections (Contributions)

The CSU will suspend, modify, or terminate Salary Reduction elections if the amount of any reduction agreed to is greater than the Participant's monthly taxable pay from the CSU. The Campus Benefits Representative is responsible for making such changes.

If the CSU finds that either Plan is discriminatory under applicable law, such as having too low a percentage of lower-income Participants, some Salary Reduction amounts for Highly Compensated Employees and Highly Compensated Individuals may be reported as taxable income. Such amounts will remain subject to all other terms and conditions of the Plan. Human Resources Management is responsible for determining Plan discrimination under applicable law.
SECTION 6 – CHANGE IN STATUS OR REVOCATION OF SALARY REDUCTION ELECTION

A Participant's Salary Reduction election for any Plan Year may not be changed or revoked after coverage begins. Exceptions are permissible only to the extent that such change or revocation is on account of and consistent with the following Change in Status Events:

1. **Change in Legal Marital Status** – Marriage, divorce, death of spouse, legal separation or annulment;
2. **Change in Number of Dependents** – The birth, death, adoption, loss or gain of legal custody, loss or gain of domestic partner or placement of a child for adoption;
3. **Termination/Commencement of Employment** – The beginning or the end of employment of the Employee, spouse or Dependent that impacts the Employee’s, spouse’s, or Dependent’s eligibility;
4. **Change in Work Hours** – Change in work schedule including a decrease or increase in hours (DCRA only), full-time/part-time switch (DCRA only), start/stop of unpaid leave of absence or a strike or lockout of Employee, spouse or Dependent;
5. **Dependent Eligibility** – Events that cause a Dependent to satisfy or cease to satisfy eligibility requirements for coverage on account of attainment of age, student status, or any similar circumstances;
6. **Dependent Care Provider Cost/Coverage Change (DCRA only)** – Significant change in cost and/or coverage of dependent care provided or change in provider as long as provider is not a relative;
7. **Entitlement to Medicare or Medicaid (HCRA only)** – Employee, Spouse or Dependent gains or loses eligibility for Medicare or Medicaid;
8. **Judgment, decree, court order, or Qualified Medical Child Support Order (QMCSO) (HCRA only)**.

The first five events listed above qualify as a Change in Status Event only if the change causes a gain or loss of eligibility for coverage under the CSU or other plan. If a Participant experiences a Change in Status Event, he/she may increase (to the appropriate limit), decrease, start, or stop contributions by filing a new Enrollment Authorization Form within sixty (60) days of the status change (See Section 3 for further enrollment instructions). Any change made must correspond with the Change in Status Event. (For further details on Change in Status Events, see Appendix C.) Questions requiring interpretation of a Change in Status Event should be referred to Human Resources Management within the Chancellor’s Office.

If a Participant stops contributions, he/she may continue to submit eligible expenses that incurred prior to the end of the month Plan participation ended. (See Section 8 Continuation of Coverage for rules on continuing coverage for HCRA if CSU employment terminates for any reason.)
7.1 Claim for Reimbursement

Claim forms and documentation can be mailed, or faxed to the third party administrator, or electronically submitted online via the third party administrator’s secure website with the participant’s assigned User ID and password.

New Participants receive a supply of claim forms from the Claims Administrator upon enrollment in the Plan. Forms also may be obtained from the Claims Administrator’s web site. Campus Benefits Representatives may provide the claim form to Employees when necessary, or refer Employee’s to the Claims Administrator’s web site. See Appendix E for a copy of the claim form. A Participant files a claim for reimbursement by completing the form and attaching an itemized bill or Explanation of Benefits (EOB) for eligible expenses. A Participant may attach photocopies of his/her bills to the claim. Claims cannot be paid without verification of expenses, and copies of canceled checks are not sufficient documentation. Instructions on completing the claim form are provided on the back of the form. Questions relating to claims substantiation should be directed to the Claims Administrator.

Reimbursements are paid three times per month. There is no minimum reimbursement amount. If a Participant’s claim is received by the Claim Administrator by the 5th of the month, reimbursement is issued or sent to the Participant’s bank account electronically (if this option is elected by the Participant) by the 15th of the month. Claims received by the 15th of the month will be issued in like manner (as stated above) by the 25th of the month; and claims received by the 25th of the month will be issued by the 5th of the following month. Please see chart below for reference:

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<thead>
<tr>
<th>Claim Receipt Date</th>
<th>Claim Reimbursement Date</th>
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<tr>
<td>5th of the month</td>
<td>15th of the same month</td>
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<tr>
<td>15th of the month</td>
<td>25th of the same month</td>
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<tr>
<td>25th of the month</td>
<td>5th of the following month</td>
</tr>
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</table>

If the electronic option has not been chosen by the participant, paper reimbursement check(s) are generated and mailed in accordance with the schedule stated above. The Participant is responsible for the accurate completion and timely submission of claim forms.

Claims may be filed for expenses incurred during a Plan Year any time up to six (6) months after the end of the Plan Year (June 30 of the next year). Any balance remaining in the Participant’s account after that date will be forfeited.

Claim reimbursement for over-the-counter drugs and medicines must include the following:

1. The receipt or documentation from the store must include the name of the drug purchased printed on the receipt along with the date of purchase and purchase price. This information must be provided by the store, not just listed by the participant on the receipt or claim form.

2. The participant must submit a written prescription from a health care provider. Purchases for general health will not be accepted.
3. To claim reimbursement for vitamins, herbs or nutritional supplements, the participant must have a **written diagnosis of the medical condition from a doctor** and “prescription” of all specific items for that condition on file with the claims office. The participant must renew this physician notice every 12 months and file it with the claims office with the first claim submitted for the participant each plan year.

7.2 **Use It or Lose It Rule**

Participants must estimate their eligible expenses very carefully because the authorization is irrevocable during the Plan Year unless there has been an allowable Change in Status Event. (See Section 6 or Appendix C for description of Change in Status Event.)

Money left in the Participant’s account(s) unclaimed after June 30 of any Plan year (including monies not claimed during the 2 ½ month grace period) will be forfeited. The IRS will not permit forfeited contributions to be refunded to the individual.

7.3 **Payment of Claims**

No Participant shall be entitled to any reimbursement under the Plan unless a claim form is submitted. The Claims Administrator will review each claim to determine whether the expenses are reimbursable eligible expenses and whether the request is accompanied by required documentation.

The Claims Administrator shall advise Human Resources Management of the approved reimbursements. Funds are transferred to the Claims Administrator via an Automated Clearing House process, and claims reimbursement payments are issued directly to Participant’s home address. It is the responsibility of Human Resources Management to audit and reconcile the DCRA/HCRA activities (i.e., claims payments, deposits of contributions, etc.) to ensure that all Plan related transactions are appropriate. The Chancellor's Office (CO) General Accounting Department is responsible for reconciling the CO Electronic Disbursement bank account each month.

Reimbursement checks and deduction notices will be mailed to the Participant’s home address. Participants may choose to receive reimbursement payments by direct deposit accompanied by E-mail notification. Direct Deposit Request forms are provided by the Claims Administrator.

**Important Note:**

- **Dependent Care Reimbursement Account Plan:** Participants are only reimbursed for the amount currently in their account. If an amount in excess of the account is claimed by the Participant, the excess will be pended and paid automatically as soon as additional money is available in the Participant's account (within the Plan Year). The total claims paid for a specific Plan Year will not exceed the maximum contribution amount elected for the Plan Year.

- **Health Care Reimbursement Account Plan:** Participants are reimbursed for the full amount of any eligible claim submitted, even though the Participant may not have yet contributed enough money through payroll deductions into his/her account to cover the submitted expenses. The total claims paid for a specific Plan Year will not exceed the maximum contribution amount elected for the Plan Year.

7.4 **Appeal and Review Procedures**

If a claim is denied by the Claims Administrator, the Participant may appeal the denial within one hundred and eighty (180) days after receipt of the written denial. The written request for review of the claim denial
must be sent directly to the Claims Administrator and not to the campus Benefits Office, or the Chancellor’s Office. A Participant also may submit a written statement of issues and comments concerning the claim and may request an opportunity to review the Plan and any other pertinent documents. If so requested, the Plan Administrator shall make these available to the Participant within thirty (30) days after receipt of the request, at a convenient location during regular business hours.

If a Participant appeals, the Claims Administrator shall transmit its final written decision, with its specific reasons, to the Participant by certified mail within sixty (60) days of its receipt of the request for review. The Plan Administrator shall be consulted on all unresolved claims appeals.

7.5  **Agent for Service of Process**

The agent for service of process upon the Trustees of The California State University for both Plans is:

General Counsel  
Office of the Chancellor  
401 Golden Shore, 4th Floor  
Long Beach, California  90802-4210

7.6  **Evidence**

Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information, which the person acting on it considers pertinent and reliable. The evidence may be signed, made or presented by the proper party or parties.

### SECTION 8 – CONTINUATION OF COVERAGE (HCRA ONLY)

**Note:** Continuation of Coverage benefits are extended only to eligible Health Care Reimbursement Account Plan Participants. (Also see the CSU COBRA Administrative Manual for consolidated COBRA procedures and required COBRA notices.)

If an Employee loses eligibility to participate in the Health Care Reimbursement Account (HCRA) Plan for any reason during the Plan Year (i.e., leave of absence without pay, retirement, termination, etc.), contributions may be continued on an after-tax basis through the end of the Plan Year pursuant to Continuation of Coverage guidelines. As an active Employee, eligibility to participate ends on the last day of the month following the pay period in which the Employee made his/her last contribution. For example, if an Employee leaves CSU employment in May, the last contribution is taken from the May pay period and participation ends June 30.

Continuation of Coverage guidelines are established for Employees on leave without pay and permanent separations. The CSU extends the HCRA benefit to leave without pay and separated employees pursuant to the Consolidated Omnibus Budget Reconciliation Act (COBRA). Eligible Dependents may also qualify to continue participation. The Employee must have a positive account balance at the time of leave without pay or separation in order to participate with the exception of Employees on unpaid Family Medical Leave (FMLA). Employees on unpaid FMLA are not required to have a positive account balance in order to participate.

After tax contributions are paid directly to the Claims Administrator. The Employee or Dependents must elect Continuation of Coverage within sixty (60) days of the date of receiving a Continuation of Coverage
(for leave without pay) or COBRA (for separation from CSU) notification or the date of the loss of coverage, whichever is later. The Employee has an additional forty-five (45) days from the date of election to submit the first contribution to the Claims Administrator. There are no tax savings on contributions made to HCRA through Continuation of Coverage and a 2% administration fee is charged to the Employee, with the exception of Employees on FMLA. If an Employee chooses not to continue contributions through Continuation of Coverage, expenses incurred for services provided after the last day of the month following the pay period in which the Employee made his/her last contribution, will not qualify for reimbursement even if a positive balance exists. Funds remaining in the account will be forfeited.

The following provides guidelines for processing continued participation through Continuation of Coverage (leave without pay and separation).

8.1 Leave without Pay Guidelines

Prior to going on leave without pay, the Campus Benefits Representative should discuss intended Plan participation with the Employee. The Employee must be notified in writing of the ability to participate within fourteen (14) days of the later of the qualifying event or loss of coverage. Each campus is responsible for designing its own leave of absence without pay Continuation of Coverage notice. The notice must inform the employee of his/her option to continue participation if eligible and the impact if participation is not elected.

The Employee has the option to either continue participation with after-tax contributions or cease participation during leave status. The Employee must have funds remaining in the account in order to continue participation in the Plan during leave without pay (with the exception of employees on unpaid FMLA).

1) If an Employee chooses to continue participation while on leave without pay, the Employee must submit a completed Request for Direct Pay Enrollment form to the Campus Benefits Representative within sixty (60) days from the later of the date of the Continuation of Coverage notification, or the date of the loss of coverage. Appendix F is a copy of the Request for Direct Pay form and Appendix G is a copy of the form instructions. The Campus Benefits Representative is responsible for forwarding the form to the Claims Administrator as notification of the Employee’s intent to continue participation. A copy of the form is filed at the campus.

a. As a result of the leave, if the Employee chooses to adjust the contribution, the employee may increase (not reduce) the deduction up to a maximum of $416.66 per month. (The maximum amount of $416.66 does not include the 2% administrative fee.)

b. Upon receipt of the direct pay form, the Claims Administrator mails a payment coupon booklet to the Employee. While on leave, the Employee makes contributions directly to the Claims Administrator using after-tax money.

c. Contributions must be received from the Participant by the 1st of the month for the coverage period, along with the corresponding coupon. The first payment must be made to the Claims Administrator within forty-five (45) days from the date of election and must include sufficient funds so that the account will be current. Payments must be made payable to the Trustees of the California State University and are paid on a monthly basis unless the Employee chooses to pay in advance.

d. If the Employee fails to meet the 1st of the month payment deadline to the Claims Administrator during the leave period, the Employee has a 30-day grace period to make payment. If the late
payment is received after the due date but before the end of the grace period, coverage under the Plan will be suspended as of the first day of the coverage period and then retroactively reinstated when the payment is received. Any claim submitted by the Employee while coverage is suspended will be denied until coverage is reinstated. If the Employee fails to make payment before the end of the grace period, the Employee ceases to be a Participant in the Plan the first of the month following the month in which the last direct pay contribution was received. In this situation, the Employee is no longer eligible to submit claims for expenses incurred during the time the contributions were not mailed to the Claims Administrator. The Claims Administrator is responsible for sending an early termination notice to the Employee informing the Employee that his/her participation has cancelled. Employees on unpaid FMLA must be given written notice 15 days prior to being terminated from the Plan.

e. Upon return from leave, the Employee’s deductions automatically resume regardless of whether the Employee actively made contributions to the Claims Administrator while on leave without pay. The Campus Benefits Representative is not required to make any adjustment to the resumed deduction.

f. Upon return from a leave longer than thirty (30) days in length, if an Employee chooses to adjust the resumed deduction, the Employee may adjust (increase or decrease) the deduction up to a maximum of $416.66 per month or reduce to a minimum of $20 per month.

(2) If an employee chooses not to continue coverage while on leave without pay, no further action is required by the Campus Benefits Representative.

a. An Employee on leave without pay who chooses not to continue direct pay contribution payments while on leave may not submit claims for expenses incurred while on leave. Participation ends as an active employee, at the end of the month following the pay period in which the employee made his/her last contribution (i.e., if last contribution was deducted from February pay period, participation ends March 31). It is the responsibility of the Claims Administrator to monitor expense claims submitted by the Employee.

b. Upon return from a leave, the Employee’s deductions automatically resume regardless of whether the Employee actively made contributions to the Claims Administrator while on leave without pay. The Campus Benefits Representative is not required to make any adjustment to the resumed deduction.

c. Upon return from a leave longer than thirty (30) days, if an Employee chooses to adjust the resumed deduction, the Employee may adjust (increase or decrease) the deduction up to a maximum of $416.66 per month or reduce to a minimum of $20 per month.

8.2 Separation Guidelines (COBRA)

Prior to separation (i.e., termination, retirement), the Campus Benefits Representative should discuss intended Plan participation with the Employee. The Employee must be notified in writing of his/her ability to participate within fourteen (14) days of the later of the qualifying event or loss of coverage. (See the CSU COBRA Administrative Manual for the “COBRA Qualifying Event Notice” – Model Statement.)

The Employee has the option to either continue participation through COBRA with after-tax direct pay contributions or cease participation upon separation. The Employee must have funds remaining in the account in order to continue participation in the Plan for the remainder of the Plan Year. In the event an
Employee requests participation in COBRA but is not eligible to participate, the Benefit Representative must provide the Employee with an Unavailability Notice informing the Employee why participation in COBRA is denied. (See COBRA Administrative Manual for the appropriate notice and general instructions.)

(1) If an Employee chooses to continue participation after separating from employment, the Employee must submit a completed Request for Direct Pay Enrollment form to the Campus Benefits Representative within sixty (60) days from the later of the date of the COBRA Qualifying Event Notice or the date of the loss of coverage. See Appendix F for a copy of the Request for Direct Pay form. Appendix G is a copy of the form instructions. It is the responsibility of the Campus Benefits Representative to mail the form to the Claims Administrator as notification of the Employee’s intent to continue participation. A copy of the form is filed at the campus.

a. The separating Employee may NOT adjust his/her deduction when continuing participation under COBRA (except for the addition of the required 2% administration fee).

b. Upon receipt of the direct pay form, the Claims Administrator mails a payment coupon booklet to the Participant. While on COBRA, the Participant makes contributions directly to the Claims Administrator with after-tax money.

c. Contributions must be received from the Participant by the 1st of the month of the coverage period, along with the corresponding coupon. The first payment must be mailed to the Claims Administrator within forty-five (45) days from the date of election and must include sufficient funds so that the account will be current. Payments must be made payable to the Trustees of the California State University and are paid on a monthly basis unless the Participant chooses to pay in advance.

d. If the Participant fails to meet the 1st of the month payment deadline to the Claims Administrator while on COBRA, the individual has a 30-day grace period to make payment. If the late payment is received after the due date but before the end of the grace period, coverage under the Plan will be suspended as of the first day of the coverage period and then retroactively reinstated when the payment is received. Any claim submitted by the Participant while coverage is suspended will be denied until coverage is reinstated. If the Participant fails to make payment before the end of the grace period, the individual ceases to be a Participant in the Plan as of the first of the month following the month in which the last direct pay contribution was received. In this situation, the individual is no longer eligible to submit claims for expenses during the time the contributions were not made to the Claims Administrator and any funds in the account will be forfeited. The Claims Administrator is responsible for sending an early termination notice to the Participant informing the Participant that his/her participation has been cancelled.

e. If the former Employee is rehired during that same Plan Year and opts to reenroll in the Plan, he/she continues to have access to the account balance accumulated in prior employment (during the same Plan Year), the account balance accumulated during participation under COBRA (if this option was chosen) as well as the account balance accumulated in current employment for expenses incurred during the Plan Year. If the former Employee is rehired (after a separation of more than 30 days), but chooses not to reenroll upon reemployment, the Employee has access to prior balances but only for expenses incurred during the period of prior CSU employment, as an active Participant in the Plan.

(2) If a separating employee chooses not to continue coverage after the Qualifying Event, no further action is required by the Campus Benefits Representative.
CSU DCRA & HCRA ADMINISTRATIVE GUIDE

a. A former Employee may not submit claims for expenses incurred after the last day of the month following the pay period in which the employee made his/her last contribution as an active employee. It is the responsibility of the Claims Administrator to monitor expense claims submitted by the former Employee.

b. If the former Employee is rehired, he/she continues to have access to the account balance accumulated during prior employment for expenses incurred during prior employment. If the Employee reenrolls in the Plan upon reemployment, the Employee has access to prior balances but only for payment of expenses incurred while employed (both in prior employment and future employment) within that Plan Year.

SECTION 9 – PLAN ADMINISTRATION

9.1 Cost

Each Participant shall pay the monthly administrative charges associated with the Plan on an after-tax basis. These charges, currently $1 for each Plan ($2 for both plans), will be deducted from the Participant’s salary each month and include routine processing fees charged by the Claims Administrator and the State Controller’s Office (SCO). The CSU will adjust the Participant’s monthly administrative charge as actual Plan administrative costs change, but only following written notice to all Plan Participants. Former Employees continuing participation in HCRA through COBRA are responsible for paying a monthly 2% administrative fee in lieu of the $1 charge.

9.2 Experience Gains

If the Plan has an Experience Gain with respect to a Plan Year, such Experience Gain shall be allocated in one of the following manners:

(1) Used to reduce the after-tax administrative fee for all Participants for the following Plan Year, or
(2) Used to offset Claims Administrator expenses incurred during the Plan Year, or
(3) Used to reduce the Salary Reduction contributions on an equal basis for all Participants for the following Plan Year, or
(4) Allocated to all Participants for the current Plan Year on a uniform basis as a refund.

9.3 Plan Administration Responsibilities

(1) The Claims Administrator shall be responsible for specific administration of the Plan including:

a. The preparation of any forms, documents and other information required by law to be reported or filed with any governmental agency, or to be disclosed to Employees or other persons entitled to benefits under the Plan;

b. Review and approval of claims and appeals from claim denials under the Plan;

c. Maintenance of Participant bookkeeping accounts;

d. Preparation of reimbursement information for the CSU’s authorization of payments;
e. Issuance of individualized User ID and Password for the purposes of accessing online services through the Claims Administrator’s website; and

f. Issuance of CSU-approved reimbursement payments.

(2) The SCO will be responsible for financial administration including:

a. Processing of individual enrollment forms and Salary Reduction amounts;

b. Adjusting and reporting of the Participant’s taxable income and associated taxes; and

c. Mailing of the monthly Salary Reduction Direct Deposit advice to the CSU.

(3) The CSU shall be responsible for the general administration of the Plan including:

a. Notification to Employees of eligibility for the Plan;

b. Provision of plan enrollment documents and claim forms;

c. Determination of questions arising under the Plan pertaining to eligibility of Employees under the Plan;

d. Adoption of procedures and regulations, as necessary in the CSU’s opinion, for the proper and efficient administration of the Plan and which are consistent with the terms and purposes of the Plan;

e. Enforcement of the Plan according to its terms and to the rules and regulations adopted by the CSU;

f. Receipt, maintenance and approval of disbursement of Salary Reduction amounts;

g. Preparation of allocation instructions for the Systemwide Accounting Department of Salary Reductions received by Direct Deposit for posting to the CSU Dependent Care Reimbursement Account Trust Fund and CSU Health Care Reimbursement Amount Trust Fund;

h. Filing or disclosure of any information, required by law, to be reported or filed with any governmental agency, or to be disclosed to Employees or other persons entitled to benefits under the Plan; and

i. Reporting of year-end status of the CSU Dependent Care Reimbursement Trust Fund and CSU Health Care Reimbursement Trust Fund.

9.4 Discretionary Power of Plan Administrator

All discretion conferred upon the Plan Administrator shall be in accordance with the Federal IRS Code and CSU regulations. All discretion conferred upon the Plan Administrator will be absolute. However, no discretionary power shall be exercised in a manner that causes discrimination in favor of Highly Compensated Employees, Highly Compensated Individuals and Key Employees. The discretionary power of the Plan Administrator shall be exercised in a non-discriminatory manner with regard to all similarly-situated Participants.
SECTION 10 – MISCELLANEOUS PLAN PROVISIONS

10.1 Severability

If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability shall not affect any other provision of the Plan, and the Plan shall be construed and enforced as if such provision had not been included.

10.2 Plan Not an Employment Contract

This Plan is not an employment contract. Any employment rights of an eligible Employee are neither enlarged nor diminished by the establishment of this Plan.

10.3 Non-Transferability of Interest and Facility of Payment

The interests of persons entitled to benefits under this Plan are not subject to their debts or other obligations and, except as may be required by the tax withholding provisions of the Code or any state's income tax act or other applicable federal or state law, may not be voluntarily or involuntarily sold, transferred, alienated, assigned, or encumbered. When any person entitled to benefits under the Plan is under legal disability or, in the CSU's opinion is incapacitated so as to be unable to manage his/her affairs, the CSU may cause the benefits to be paid to his/her legal representative for his/her benefit, or to be applied for his/her benefit in any other manner that the CSU may determine.

10.4 Mistake of Fact

Any mistake of fact or misstatement of fact shall be corrected when it becomes known and proper adjustment shall be made. The CSU shall not be liable in any manner for any determination of fact made in good faith.

10.5 Amendment of Plan

Any part or this entire Plan may be amended in writing by the Vice Chancellor of Human Resources at any time. Any amendment must be in writing and shall become effective upon adoption, or at such time as may be specified in the amendment.

10.6 Termination of Plan

This Plan may be terminated only as of the end of any Plan Year. Any amounts credited to Participants' Salary Reduction accounts as of the end of a Plan Year and unclaimed by the following June 30, will be cancelled and returned to the general assets of the CSU. Any Salary Reduction elections previously made for the next Plan Year will be null and void. However, the CSU reserves the right to terminate or amend the Plan at any time if the Plan is deemed not to be in compliance with applicable law.

10.7 Right to Offset Future Payments

In the event a payment or the amount of a payment is made erroneously to an individual, the Plan shall have the right to reduce future payments payable to or on behalf of such individual by the amount of the erroneous or excess payment. This right to offset shall not limit the right of the Plan to recover an erroneous or excess payment in any other manner.
10.8 Right to Recover Payments

Whenever a payment has been made by the Plan, including erroneous payments, in a total amount in excess of the amount payable under the Plan, irrespective to whom paid, the Plan shall have the right to recover such payments, to the extent of the excess, from the person to or for whom the payment was made.

10.9 Legal Action

Before pursuing legal action, a person claiming Plan benefits or seeking redress related to the Plan must first exhaust the Plan’s claim, review and appeal procedures. Unless otherwise provided by law, the Employer and the Plan Administrator are the only necessary parties to any action or proceeding that involves the Plan or its administration. No Employee, or other person or entity is entitled to notice of any legal action, unless a court with appropriate jurisdiction orders otherwise.

10.10 Captions and Headings

The captions and headings of a section or provision of the Plan are for convenience and reference only and are not to be considered in interpreting the terms and conditions of the Plan.

10.11 Indemnification

The Employer, to the extent permitted by law, shall indemnify and hold harmless the Board of Trustees and any Employee or officer of the Employer from and against all loss, damages, liability and reasonable costs and expenses incurred in carrying out his or her responsibilities under the Plan, unless due to the bad faith or willful misconduct of such person, provided that such individual’s attorney’s fees and any amount paid in settlement be approved by the Board of Trustees.

SECTION 11 – HCRA HIPAA PRIVACY AND SECURITY REGULATIONS

11.1 HIPAA Privacy and Security Regulations

The Health Insurance Portability and Accountability Act of 1996, ("HIPAA"), and the regulations issued thereunder at 45 CFR Parts 160 and 164 ("the HIPAA regulations"), as amended by The Health Information Technology for Economic and Clinical Health (HITECH) Act (Title XIII, Subtitle D of the American Recovery and Reinvestment Act (ARRA) of 2009) impose privacy and security obligations on group health plans that restrict the use and disclosure of protected health information ("PHI"). The HITECH Act requires covered entities and business associates to identify and promptly notify affected parties of reportable breaches of PHI. Additional information regarding HIPAA and HITECH regulations, including the CSU Privacy and Security Officials, reporting of a breach, and safeguards for campuses to follow can be located in HR 2011-07.

11.2 HCRA Plan Document Amendment

The California State University (CSU) sponsors and maintains the Health Care Reimbursement Account (HCRA) Plan that is subject to the HIPAA and HITECH regulations. CSU intends to receive PHI from the HCRA Plan (including its Business Associates) from time to time. The HIPAA regulations require CSU to amend the HCRA Plan document to incorporate provisions specified in 45 CFR 164.504(f)(2) prior to the receipt of such PHI. This Section 11 shall amend the HCRA Plan document accordingly.
11.3 **Effective Date**

HIPAA privacy regulations were effective as of April 14, 2004, and HIPAA security regulations were effective April 21, 2005. The Health Information Technology for Economic and Clinical Health (HITECH) Act (Title XIII, Subtitle D of the American Recovery and Reinvestment Act (ARRA) of 2009) amended HIPAA privacy and security regulations and was signed into law February 17, 2009, with many of its provisions becoming effective February 17, 2010, and thereafter.

11.4 **Uses and Disclosures of PHI**

The Plan and CSU may use or disclose a Plan Participant's PHI to CSU (or the Plan’s Business Associates) for the following Plan administration functions under 45 CFR 164.504, to the extent not inconsistent with the HIPAA and HITECH regulations:

- Payment activities such as claims and reimbursements;
- Health care operations such as audits;
- Disclosures to a participant, and in certain circumstances, to family members and others acting on the Participant’s behalf;
- As authorized by a HCRA Plan participant or his or her authorized representative; and as required by law.

11.5 **Restriction on Plan Disclosure to CSU**

Neither the Plan nor its Business Associates will disclose PHI to CSU except upon the Plan’s receipt of CSU certification that the Plan has been amended to incorporate the agreements of CSU under paragraph 11.5, except as otherwise permitted or required by law.

11.6 **Privacy Agreements of CSU**

As a condition for obtaining PHI from the Plan or its Business Associate, CSU agrees it will:

a. Not use or further disclose such PHI other than as permitted in this language, as permitted by 45 CFR 164.508, 45 CFR 164.512, and other sections of the HIPAA regulations, or as required by law;

b. Ensure that any of its agents, including a subcontractor, to whom it provides the PHI, agree to the same restrictions and conditions that apply to CSU with respect to such information;

c. Not use or disclose the PHI for employment-related actions and decisions or in connection with any other benefit or employee benefit plan of CSU;

d. Report to the Plan any use or disclosure of the PHI that is inconsistent with the uses or disclosures provided for of which CSU becomes aware, as well as abiding by all breach notifications required by HITECH;

e. Make the PHI of a particular Participant available for the purposes of the Participant's requests for inspection, copying, and Amendment, and carry out such requests in accordance with HIPAA regulation 45 CFR 164.524 and 164.526;
f. Make the PHI of a particular Participant available for purposes of required accounting of disclosures by CSU pursuant to the Participant's request for such an accounting in accordance with HIPAA regulation 45 CFR §164.528;

g. Make CSU's internal practices, books, and records relating to the use and disclosure of PHI received from the Plan available to the Secretary of the U.S. Department of Health and Human Services for purposes of determining compliance by the Plan with HIPAA and HITECH;

h. If feasible, return or destroy all PHI received from the Plan that CSU still maintains in any form and retain no copies of such information when no longer needed for the purpose for which disclosure was made, except that, if such return or destruction is not feasible, CSU agrees to limit further uses and disclosures to those purposes that make the return or destruction of the information infeasible; and

i. Ensure that there is adequate separation between the Plan and CSU by implementing the terms (1) through (3), as follows:

1) *Work Locations with Access to PHI:* The CSU personnel who work in the CSU Human Resources Management in the Chancellor's Office and Campus Human Resources (Benefits) Offices are the only personnel that may access PHI received from the Plan.

2) *Use Limited to Plan Administration:* The access to and use of PHI by the work locations in (1), above, is limited to Plan Administration functions as defined in HIPAA regulation 45 CFR § 164.504(a) that are performed by CSU for the Plan.

3) *Mechanism for Resolving Noncompliance:* If CSU, or persons(s) responsible for monitoring compliance determines that any person in a work location described in (1), above, has violated any of the restrictions of this Amendment, then such individual shall be disciplined in accordance with the policies of CSU established for purposes of privacy compliance, up to and including dismissal from employment. CSU shall arrange to maintain records of such violations along with the persons involved, as well as disciplinary and corrective measures taken with respect to each incident. In addition, CSU and/or person(s) responsible for monitoring compliance shall take all necessary steps required by HITECH, including notifying the Plan and its Business Associates.

### 11.7 PHI not Subject to this Amendment

Notwithstanding the foregoing, the terms of this Amendment shall not apply to uses or disclosures of Enrollment, Disenrollment, and Summary Health Information made pursuant to 45 CFR 164.504 (f)(1)(ii) or (iii); of PHI released pursuant to a Participant Authorization that complies with 45 CFR 164.508; or in other circumstances as permitted by the HIPAA regulations.

### 11.8 Definitions

All capitalized terms within this Amendment not otherwise defined by the provisions of this Amendment shall have the meaning given them in the respective Plan or, if no other meaning is provided in the Plan, the term shall have the meaning provided under HIPAA and HITECH.