CSU The California State University

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Health Care Reimbursement Account (HCRA)

This brochure is intended to provide highlights of the California State University (CSU) Health Care Reimbursement Account (HCRA) Plan. There are many important rules regarding this plan, so please read this material carefully. Complete details of the plan are provided in the official plan document, which is at all times the ruling plan document. If you have questions about the plan, or wish to review a copy of the plan document, contact your campus Benefits Representative.

OVERVIEW

The CSU Health Care Reimbursement Account, a voluntary benefit for eligible employees, offers you the ability to pay for eligible out-of-pocket health care expenses with pre-tax dollars. If you enroll in the plan, the contributions you make to your account are deducted from your pay before federal, state and FICA taxes are calculated. Your taxable income is reduced, and consequently, your taxable income reflected on your annual W-2 statement is reduced. Expenses eligible to be reimbursed from the Health Care Reimbursement Account are expenses that are medically necessary but not covered by your own, or another insurance plan, and are expenses incurred by you, your spouse, and your dependents[1] as defined under IRS Code 152. The "Eligible Expenses" section of this brochure provides more information on reimbursable expenses. Expenses solely for cosmetic reasons or expenses that are merely beneficial to your general health are not reimbursable, as they are not medically necessary.

HCRA plan enrollment is based on calendar year from January 1–December 31.

Please note: **If you wish to participate in this plan, you must enroll each year you want to participate because your annual enrollment will not automatically renew.**

The annual open enrollment period is normally held September–October. The effective date of the plan coverage will be January 1–December 31 of the following year.

[1] You may claim reimbursement for expenses paid for your domestic partner if your domestic partner is a dependent.

ELIGIBLE EMPLOYEES

You are eligible to enroll in the Health Care Reimbursement Account if you are in an Executive, Management Personnel Plan (MPP), Confidential, or other nonrepresented position, or are covered by a collective bargaining agreement that provides the benefit. Rehired annuitants and employees under the Faculty Early Retirement Program (FERP) are not eligible to participate.

ENROLLMENT AND EFFECTIVE DATE OF COVERAGE

Employees may enroll in the plan within 60 days of hire, or due to a subsequent change in status (see explanation under the "Change in Status" section of this brochure), or during open enrollment.

For new employees that are enrolled <u>after</u> the plan year begins, participation in HCRA will be for the remainder of the plan year and coverage will become effective on the 1st of the month following enrollment (subject to campus and State Controller's Office processing timelines).

Once coverage begins, you will not be able to change your contribution amount unless you have had a change in status.

HOW TO ENROLL

You will need to obtain a Health Care Reimbursement Account Authorization Form from your campus Benefits Representative. **On the form, list the amount you want deducted each month from your paycheck on a pre-tax basis.** You will be charged a small administrative fee that is deducted from your salary on an after-tax basis.

YOUR HEALTH CARE REIMBURSEMENT ACCOUNT (HCRA)

The Health Care Reimbursement Account provides reimbursement of eligible health care expenses that you or your eligible family members incur, via a special tax-free account set up for this purpose.

Each month, the dollar amount you preselect is deducted from your salary before federal, state and FICA taxes are withheld. These deductions are held in your personal Health Care Reimbursement Account until you incur eligible expenses and file a reimbursement claim. Reimbursement claim payments are not taxable.

Tax-free Health Care Reimbursement Accounts are governed by a number of rules, most of which are set by the Internal Revenue Service (IRS) and can be changed only by that agency.

AMOUNT YOU CAN CONTRIBUTE

You can contribute a minimum of $20 to a maximum of $416.66 each month to your account. Contributions must be made by payroll deduction. The CSU permits an annual maximum of $5,000 for a full plan year.

The limits noted above may be lower for employees who are classified as "highly compensated employees" according to IRS rules. You will be notified of the limit on your Health Care Reimbursement Account contributions, if any apply.

Your payroll deductions are exempt from federal, state and FICA taxes, however, they are not exempt from CalPERS retirement contributions. Your account contributions have no impact on any other employer-provided benefits that are based on your salary. There may be some impact on your Social Security benefits as discussed in the section titled "Effect on Social Security."

ELIGIBLE DEPENDENTS

Under HCRA, an eligible dependent as defined in Internal Revenue Code (IRC) Section 152 means the spouse (as defined under federal law), a "qualifying child," or a "qualifying relative" of the Employee.

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, step-sibling 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.

A "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 a child of a domestic partner) meets the definition of Dependent as described above.

ELIGIBLE EXPENSES

Expenses qualify for reimbursement based on when incurred, not when paid.

Expenses eligible to be reimbursed from the Health Care Reimbursement Account Plan are those that are not eligible for reimbursement under another plan and medically necessary expenses that are incurred by you, your spouse, and your dependents during the plan year for medical care as defined in Section 213(d) of the Internal Revenue Code.

You may include all medical, dental and vision expenses for the diagnosis, cure, treatment or prevention of disease, and for treatments affecting any part or function of the body that are not covered or not reimbursed by insurance. Expenses may also 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.

You may refer to IRS Publication 502 for general information on deductible medical expenses. **However, please be aware that not all the expenses listed as deductible in IRS Publication 502 are eligible for reimbursement under the HCRA plan.** For example, federal regulations do not allow any insurance premiums or long-term care expenses to be reimbursed under the HCRA plan, although they are listed as deductible expenses under IRS Publication 502.

Below is a partial list of expenses eligible for reimbursement under HCRA. A more detailed and comprehensive list of eligible expenses also can be obtained by visiting www.asiflex.com.

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;
- Prescription drugs or medicines (cost not covered by insurance);
- Medical equipment, supplies, and diagnostic devices (i.e., breast pumps, lactation supplies, bandages, hearing aid batteries, blood sugar tests, contact lens solution, etc.);
- Smoking cessation programs and related drugs (must be accompanied by letter of medical necessity and prescription);
- 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); and
- Other expenses not covered by the medical plan that qualify as a federal income tax deduction, such as special services and supplies for the disabled.

DENTAL EXPENSES

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

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 reimbursment 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 enrolled 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 plan);
- Cost of eyeglasses, prescription sunglasses, and contact lenses including lens solution and enzyme cleaner;
- LASIK surgery; and
- Cost of hearing aids and batteries.

TRANSPORTATION EXPENSES

You 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) Refer to www.asiflex.com for additional information.

Submit claims for travel expenses at the same time you are filing a claim for the medical expense associated to the travel. You can also claim parking and/or toll expenses if you provide a receipt. Public transportation also requires a receipt. Indicate the number of round trip miles on your reimbursement claim form.

INELIGIBLE 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., you must have a prescription from a physician.

Below is a partial list of expenses ineligible for expenses under HCRA. More detailed information can be obtained at www.asiflex.com.

- 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);
- Marriage and family counseling; and
- Non-prescription medicines and vitamins, if purchased only for purposes of general health.

CHANGE IN STATUS

Once the plan year has begun, you cannot make changes in your authorization unless there has been a change in your status, as defined by the IRS.

Please note that your election must be on account of and consistent with one of the following events:

- Change in Marital Status – Marriage, divorce, death of spouse, legal separation or annulment;
- Death of domestic partner;
- Change in Number of Dependents – Birth, death, adoption or placement for adoption of a child, legal custody, domestic partner, or loss of legal custody or domestic partner;
- Termination/Commencement of Employment – The beginning or the end of employment of the employee, spouse or dependent;
- Change in Work Hours – Change in work schedule including a reduction or increase in hours, full-time/part-time switch, start/stop of unpaid leave of absence or a strike or lockout of employee, spouse, domestic partner or dependent;
- Dependent begins or ceases to meet eligibility – Your dependent satisfies (or ceases to satisfy dependent eligibility requirements for HCRA;
- Entitlement to Medicare or Medicaid – Employee, spouse, or dependent gains or loses eligibility for Medicare or Medicaid; or
- Judgment, decree, court order, or Qualified Medical Child Support Order (QMCSO).

The events listed qualify as a change in status event only if they result in a gain or loss of eligibility under the CSU or another plan.

If you experience a change in status event, you may increase (to the appropriate limit), decrease, start, or stop your contributions by filing a new Health Care Reimbursement Account Authorization form within 60 days of the status change. Any change you make must correspond and be consistent with the change in status event. If you stop your contributions, you may continue to submit eligible expenses incurred prior to the date your plan participation ends. (See the "COBRA" section for rules on continuing coverage if your CSU employment terminates for any reason, or you go on a leave of absence without pay.)

HOW TO PLAN YOUR CONTRIBUTIONS

If you are already paying for health expenses (including medical, dental and vision) not paid by insurance, you probably know your annual expenditures. By looking at your records for the past year and identifying anticipated out-of-pocket medical, dental, and/or vision costs, you can estimate the contributions you want to make to the Health Care Reimbursement Account.

You must estimate your eligible expenses very carefully. As noted earlier, your authorization is irrevocable during the plan year unless you have a change in status event. In addition, any money left in your Health Care Reimbursement Account after your expenses have been paid for the enrollment period will be forfeited.

In addition, the IRS prohibits the transfer of funds from one pre-tax account to another. If you participate in both the Dependent Care Reimbursement Account and the Health Care Reimbursement Account, you cannot use your Health Care Reimbursement Account for reimbursement of dependent care costs, or vice versa.

EFFECT ON SOCIAL SECURITY

Depending upon your salary, your Social Security deductions may also be reduced by your contributions to the Health Care Reimbursement Account. This means your Social Security benefits at retirement also may be reduced slightly, because you have paid Social Security taxes on a lower wage amount. You should take this into consideration as you make your decision about enrolling in the Health Care Reimbursement Account. (For more information, you may wish to consult your tax advisor or financial planner.)

HOW TO CLAIM REIMBURSEMENT

CSU Health Care Reimbursement Account claim forms are available from your campus Benefits office or the Claim Administrator, ASI. These forms may also be downloaded from the CSU benefits portal at www.calstate.edu/hr/benefitsportal and ASI's website at: www.asiflex.com. ASI can be contacted toll-free at (800) 659-3035.

You can file a claim for reimbursement online with your ASI-assigned user ID and password, or by completing the form and attaching an itemized bill for your health care expenses. If you wish to keep your originals, you may submit photocopies of your bills. Claims cannot be paid without such verification of expenses, and copies of canceled checks are not sufficient documentation.

In addition to the above claims procedures, 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. 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.

Completed claims can be submitted to the Claims Administrator by mail, facsimile, or online as indicated on the form. Currently, reimbursements are paid three times per month based on the following schedule:

Claims Receipt Date	Reimbursement Date
25th of the month	5th of the following month
5th of the month	15th of the month
15th of the month	25th of the month

Your reimbursement will be either mailed to you, or electronically deposited in your savings or checking account (if you choose this option). There is no minimum reimbursement amount.

CLAIMS FILING PERIOD AND EXTENSION

You may file claims for expenses incurred during the plan year (January 1–December 31) any time up to six months after the end of the plan year. Therefore, your claim(s) must be postmarked by June 30 following the end of the plan year or **any balance remaining in HCRA after June 30 will be forfeited.**

If you are enrolled in HCRA through December 31 of any plan year **and** have a remaining account balance, you can also file claims for reimbursement under the grace period extension for any eligible expenses that are incurred January 1 through March 15 of the following plan year.

Under the grace period extension, all HCRA claims for services incurred January 1 through March 15 of the following calendar year will **automatically be processed against the previous plan year first** if there is an account balance remaining after December 31 and filed by the claims filing deadline. However, you can request that a claim incurred January 1 through March 15 be applied to the current plan year (must be enrolled) rather than the previous plan year. Such requests must be in writing and submitted with the claim for special handling.

If you choose to not re-enroll in HCRA for the subsequent plan year, you can utilize only the remaining account balance in your account as of December 31 for reimbursement of eligible grace period claims that are incurred January 1 through March 15 of the following year.

Claims applicable to HCRA cannot be reimbursed from DCRA account balances, and vice versa.

Please note: If your participation in HCRA is terminated prior to December 31, you are ineligible to file any claims under the grace period extension.

FSA DEBIT MASTER® CARD

In addition to the claims reimbursement process outlined above, you also have the option of requesting an FSA Debit Master Card also called the "FSA Benny® Card." You can swipe the FSA Benny Card to pay for eligible HCRA-related expenses incurred in the current plan year (paper claims must be submitted for grace period claims) and the funds are automatically deducted from your HCRA account for payment. The Card eliminates most out-of-pocket expenses and claims paperwork (exceptions apply), as well as the need to wait for reimbursement checks.

To request the FSA Benny Card, complete the "FSA Debit Card Request" form and submit it ASIFlex. Two (2) Card(s) will be issued within 10-15 days. There is a separate administrative fee of $1.00 per month that will be deducted directly from your HCRA account by ASIFlex as a non-refundable, one-time, lump sum amount (i.e., $12.00 if your enrollment begins in January, and the amount is prorated if enrollment begins after January).

For additional, pertinent information about the FSA Benny Card, please visit the ASIFlex website at www.asiflex.com or the CSU Systemwide Benefits Portal at www.calstate.edu/hr/benefitsportal.

CLAIMS DENIAL AND APPEAL

You will receive written notice of any denied claims. You will have 180 days from the date of the written notice to file an appeal of that specific claim denial with the Claims Administrator. The Claims Administrator will provide you with a written notice of the resolution of the appeal within 60 days of the appeal.

CONTINUATION OF COVERAGE

Consolidated Omnibus Budget Reconciliation Act (COBRA)

If you lose your eligibility to participate in the Health Care Reimbursement Account for any reason during the plan year (i.e., leave of absence without pay, retire, terminate, etc.), you may continue to make contributions on an after-tax basis to your account under the CSU's Continuation of Coverage guidelines. The CSU extends the HCRA benefit to employees who lose coverage pursuant to COBRA through the end of the plan year. You must have a positive account balance at the time you separate or go on leave without pay in order to participate. However, no account balance is required if you are on an unpaid Family Medical Leave (FMLA). You must elect to continue coverage within 60 days of notification of a qualifying event or the loss of eligibility, whichever is later. There are no tax savings on contributions you make to your account under COBRA. Your eligibility will terminate at the end of the month in which you last contributed, and you only will be reimbursed for eligible expenses that were incurred through this period. If you choose not to continue contributions under COBRA, the funds you have already contributed to your account will not be available for reimbursement of expenses you incur after the date you are no longer eligible.

TERMINATION OF YOUR PARTICIPATION/PLAN

Your participation in the Health Care Reimbursement Account will end as of the later of the following:

- At the end of the month in which you last contributed (for claim filing purpose, eligible expenses only will be reimbursed for services provided through the end of this period). For example, if you terminate in May, your last contribution to HCRA is taken from your May salary, and your participation ends June 30. Please note: If your participation in HCRA is terminated prior to December 31, you are ineligible to file any claims under the grace period extension specified above.
- The end of the current plan year if you fail to re-enroll during the annual open enrollment period.
- The date you have been reimbursed for the entire elected annual contribution amount, and have zero funds left in your account, following cancellation or failure to re-enroll.
- Upon termination of your employment unless you qualify for and elect COBRA.
- The date of your death, unless your beneficiary qualifies for or elects COBRA.
- Upon termination of this plan.

This plan may be terminated by the CSU only as of the end of any plan year. Any amounts credited to your account as of the end of the plan year, and unclaimed through the reimbursement process by the following June 30, will be forfeited.

FINAL NOTE

Through the Health Care Reimbursement Account, it is possible to pay for health care expenses on a tax-advantaged basis easily and automatically. If you carefully consider your decision to participate, you will find it a worthwhile addition to your CSU benefits package.

Refer to Internal Revenue Service (IRS) Publication 502 for additional information.

The IRS website address is: www.irs.ustreas.gov.

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