CSU The California State University

HEALTH CARE REIMBURSEMENT ACCOUNT (HCRA)





This brochure is intended to provide highlights of the California State University (CSU) Health Care Reimbursement Account (HCRA) Plan. This plan has many important rules, so please read this material carefully. Complete details of the plan are provided in the official plan document, which at all times is 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 office. The claims administrator for the plan is currently ASIFlex. You can visit their website at asiflex.com.

OVERVIEW

The CSU Health Care Reimbursement Account (HCRA), a voluntary benefit for eligible employees, offers you the ability to pay for eligible out-of-pocket health care expenses with pretax 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 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, because they are not medically necessary. HCRA plan enrollment is based on a calendar year, from January 1 through December 31.

Please note: You must enroll each year if you wish to participate in this plan. Your annual enrollment will not automatically renew.

The annual Open Enrollment period is usually held through select dates from September to October. The effective dates of the plan coverage will be January 1 through December 31 of the following year.

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 non-represented 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 a subsequent change in status (see explanation under the "Change in Status" section of this brochure) or during Open Enrollment. For new employees who enroll after the plan year begins, participation in HCRA will be for the remainder of the plan year and coverage will become effective on the first 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 a change in status as described in the "Change in Status" section.

HOW TO ENROLL

Check with your campus benefits office on how to enroll. Upon enrollment, you will designate the amount you want deducted each month on your paycheck on a pretax basis.

YOUR HEALTH CARE REIMBURSEMENT ACCOUNT (HCRA)

The Health Care Reimbursement Account provides reimbursement for 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.

Pretax 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.

You are responsible for ensuring your elections are accurate at the time of enrollment. You are unable to change or cancel your enrollment during the plan year, unless there is a change in your status (also known as a permitting event). Any unused funds left in your account after the June 30 deadline will be forfeited.

AMOUNT YOU CAN CONTRIBUTE

You can contribute any amount from a minimum of $20 to a maximum of $275 each month ($3,300 a year). Contributions must be made by payroll deduction.

The limit 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."

FEES

There is a $1 monthly administrative fee, via payroll deduction, on a post-tax basis. The $1 monthly administrative fee is charged per plan (HCRA/DCRA). The administrative fee will be referenced as CSU BEN FEE on the employee's pay warrant.

ELIGIBLE DEPENDENTS

Under HCRA, an eligible dependent as defined in Internal Revenue Code (IRC) Section 152 means your spouse (as defined under federal law), "qualifying child" or "qualifying relative." A "qualifying child" means an individual who:

(1) Resides with you for more than half the year;

(2) Is your child, stepchild, sibling, stepsibling or any of the descendants of these relatives (adopted and qualified foster children are considered your 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) A "qualifying relative" who does not provide over one-half of their own support is defined as an individual who:

(a) Receives over half their support from you;

(b) Is your child, sibling, stepsibling or any of your descendants; a parent or stepparent or any of the employee's 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

(c) Is not a qualifying child of yours or that of another taxpayer during the plan year.

Note: Registered domestic partners (and/or a child of a registered domestic partner) may be considered a dependent for purposes of reimbursement of medical expenses if the registered domestic partner (and/or a child of a registered 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 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 those used 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 can also be obtained by visiting asiflex.com.

MEDICAL EXPENSES





- Deductibles;
- Copayments;
- Charges for routine checkups, physical examinations and tests connected with routine exams;
- Charges over the "reasonable and customary" limits;
- Expenses not covered by the medical plan because of a preexisting condition, or exclusion by the insurance company;
- Prescription drugs or medicines (cost not covered by insurance);
- Medical equipment, supplies and diagnostic devices (e.g., 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 may include required down payments, monthly payments and banding fees.

  Effective January 1, 2021, initial requests for reimbursement no longer need to include a contract or statement. Employees will receive full reimbursement for full payments, down payments, monthly payments and/or banding fees. Participants who expect treatment to extend beyond the plan year they are currently enrolled in are encouraged to reenroll 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 asiflex.com for additional information.

Submit claims for travel expenses at the same time you file a claim for the medical expense associated with that travel. You also can 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.

OVER-THE-COUNTER MEDICINES

Over-the-counter (OTC) medicines, drugs and feminine products are now considered reimbursable expenses under HCRA. A prescription is no longer needed for items such as allergy medications, smoking cessation medications, aspirin and cold medications. For a full list of eligible OTC medications and how to submit a claim, please visit ASIFlex Eligible Expenses List.

INELIGIBLE EXPENSES

Below is a partial list of ineligible expenses under HCRA. Detailed information can be obtained at 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 are eligible with a letter of medical necessity;
- Marriage and family counseling; and
- Nonprescription 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, registration of domestic partnership, divorce, dissolution of domestic partnership, death of spouse, legal separation or annulment;
- **Change in number of dependents**—Birth, death, adoption or placement for adoption of a child, legal custody, domestic partner, or loss of legal custody;
- **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 eligibility changes**—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 reaching out to your campus benefits office 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 claim reimbursement for 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 begin 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.

Carefully estimate your eligible expenses.

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 pretax 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 contributions to the Health Care Reimbursement Account may also reduce your Social Security deductions. This means your Social Security benefits at retirement may be reduced, because you have paid Social Security taxes on a lower wage amount. You should take this into consideration as you decide whether to enroll in the Health Care Reimbursement Account. You may wish to consult your tax adviser or financial planner.

HOW TO CLAIM REIMBURSEMENT

You can file a claim for reimbursement online by creating a profile and logging in with your username and password, or by completing the form and attaching an itemized bill for your health care expenses. Photocopies of your bills are acceptable but not copies of canceled checks, which are insufficient documentation. Claims cannot be paid without such verification of expenses.

You may also file a claim by using the ASIFlex mobile application. You can submit documentation by taking a picture, find information about your account and access your account statement at any time. The mobile app can be downloaded on both the App Store and Google Play.

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 Systemwide Benefits Portal and ASI's website. ASI can be contacted toll-free at (800) 659-3035. In addition to the above claims procedures, claim reimbursement for over-the-counter drugs and medicines will no longer require a prescription.





However, you will need to include the following to submit a claim for reimbursement, and a copy of the merchant itemized receipt to show:

- Merchant name;
- Date of purchase;
- Itemized description of each product purchased; and
- Dollar amount paid for each item.

Completed claims can be submitted to the Claims Administrator via mail, facsimile, mobile or online. Currently, reimbursements are processed daily.

Your reimbursement will be either mailed to you or electronically deposited into 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 through December 31) any time up to six months after the plan year ends. 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 not to reenroll 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 Dependent Care Reimbursement Account balances, and vice versa.

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

FSA DEBIT CARD

You will receive two FSA debit cards, called "ASIFlex" upon a new enrollment, You swipe the ASIFlex Card to pay for eligible HCRA-related expenses incurred in the current plan year (also includes expenses incurred during the grace period) and the funds are automatically deducted from your HCRA 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.

IRS regulations sometimes require documentation to be provided for debit card purchases for certain expenses, such as vision, dental, and amounts outside of known copays. For more information on providing debit card documentation, visit ASIFlex's debit card website.

For additional, pertinent information about the ASIFlex Card, please visit the ASIFlex website or the CSU Systemwide Benefits Portal.

CLAIMS DENIAL AND APPEAL

You will receive written notice of any denied claims. You will have 60 days from the date of the written notice to file an appeal of that denial with the Claims Administrator, ASI. 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 (e.g., leave of absence without pay, retirement, termination, 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 leave through the Family Medical Leave Act (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 will be reimbursed only 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 purposes, eligible expenses will only 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 do not reenroll during annual Open Enrollment period.
- 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 account balance 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 (HCRA), 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.

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

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