



UNIVERSITY OF CALIFORNIA

Health Care Reimbursement Account (HCRA)

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WHAT IS THE HEALTH CARE REIMBURSEMENT ACCOUNT?

The Health Care Reimbursement Account (HCRA) allows you to pay on a pretax, salary reduction basis for eligible health care expenses not covered by your medical, dental, or vision plans. The program is established under Internal Revenue Code (IRC) §105.

HOW DOES THE HEALTH CARE REIMBURSEMENT ACCOUNT WORK?

After you enroll, the Health Care Reimbursement Account works like this:

- ▶ The amount you specify when you enroll is taken from your paycheck each month and deposited in your Health Care Reimbursement Account.
- ▶ You pay your health care expenses as usual.
- ▶ When you have an eligible expense, you submit a claim form and an Explanation of Benefits (EOB) statement or detailed receipt as proof of services rendered to SHPS, Inc., the company UC has hired to administer this program.
- ▶ SHPS sends you a reimbursement payment, either by direct deposit to your bank account or by check.

HOW DOES THE HEALTH CARE REIMBURSEMENT ACCOUNT SAVE ME MONEY?

Your savings are strictly on taxes. Your Health Care Reimbursement Account contributions are deducted from your paycheck on a pretax (tax-free) basis—before federal, state, and Social Security (FICA) taxes are taken out. For example, if you earn \$3,000 a month and contribute \$200 to your Health Care Reimbursement Account, you pay taxes on \$2,800 a month.

The tax savings are reflected in your paycheck each month, all year.

The savings depend on your particular tax situation. See Internal Revenue Service (IRS) Publication 502 (www.irs.gov) or consult your tax advisor.

HOW DOES THE HEALTH CARE REIMBURSEMENT ACCOUNT AFFECT MY SOCIAL SECURITY AND UNEMPLOYMENT INSURANCE BENEFITS?

As discussed in the previous section, “How Does The Health Care Reimbursement Account Save Me Money?” your Health Care Reimbursement Account contributions lower your earnings. **Because your Social Security and unemployment insurance benefits are based on earnings, these benefits might be lower, depending on the amount you earn.**

If your earnings after your contributions to the Health Care Reimbursement Account are above the Social Security wage base (\$87,900 in 2004), there will be little or no effect on your Social Security benefits. However, if your earnings are below the wage base, your future Social Security benefits may be reduced if earnings from your years in the Health Care Reimbursement Account are used to calculate your Social Security benefits.

The amount of your Health Care Reimbursement Account contribution also reduces the earnings used to figure your unemployment insurance benefits.

DOES THE HEALTH CARE REIMBURSEMENT ACCOUNT AFFECT MY 403(B) PLAN AND UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP) BENEFITS?

No. Your contributions to the Health Care Reimbursement Account do not reduce the wages used to calculate your UCRP benefits nor do they affect your 403(b) Plan maximum annual contribution amount.

WHO CAN PARTICIPATE?

You may participate if

- ▶ You’re an active employee appointed by UC to work at least 50 percent time for one year or more, or 100 percent time for three months or more, or
- ▶ You’re appointed to work at least 43.75 percent time, or
- ▶ You’re an active employee who has worked 1,000 hours in a 12-month period.

WHICH EXPENSES ARE ELIGIBLE?

Health care expenses must meet the statutory requirements of IRC §213d. More information about eligible expenses can also be found in IRS Publication 502.

Please note, however, that while an expense listed in those documents may be an eligible tax deduction it may *not* be an eligible expense under the Health Care Reimbursement Account (for example, insurance premiums). You are responsible for making sure all expenses submitted for reimbursement under this plan are eligible. For more information, consult your tax advisor. You can find information on eligible and ineligible expenses on the SHPS website (www.shps.net/myshps); partial lists of these expenses appear below.

- ▶ Expenses must be incurred during the Health Care Reimbursement Account plan year: January 1 through December 31. You incur expenses when the care is provided, rather than when you are billed or when you pay for the care.
- ▶ If you enroll midyear, expenses incurred before your effective date are not eligible. The effective date is the first day of the month following your enrollment, subject to payroll deadlines.
- ▶ Expenses incurred after your participation ends aren't eligible. (Also see page 6, "What If I Go on Leave or Separate from the University?")

NOTE: Expenses reimbursed under the Health Care Reimbursement Account may not be deducted on your income tax form.

Eligible Expenses: A Partial List

The Health Care Reimbursement Account is used for health care expenses not paid by insurance. **You, your legal spouse, and anyone you claim as a dependent on your federal income tax return can incur the expenses paid from the account.**

Here are some examples:

- ▶ Copayments, coinsurance and deductibles **(but not premiums)**
- ▶ Acupuncture
- ▶ Air conditioners, if medically necessary*
- ▶ Automobile equipment to assist the physically disabled
- ▶ Birth control pills
- ▶ Braille books and magazines
- ▶ Childbirth classes
- ▶ Chiropractic visits
- ▶ Crutches

- ▶ Dental care
- ▶ Detoxification or drug abuse centers
- ▶ Diabetic supplies
- ▶ Expenses that exceed medical, dental or vision plan limits
- ▶ Eye exams, glasses and contact lenses
- ▶ Guide dogs for the visually or hearing impaired
- ▶ Hearing aids
- ▶ Household visual alert systems for hearing impaired persons
- ▶ Laser eye surgery
- ▶ Mattresses and boards, if medically necessary*
- ▶ Note-takers for a hearing impaired child in school
- ▶ Orthodontia
- ▶ Orthopedic shoes
- ▶ Physical exams
- ▶ Physical therapy
- ▶ Prescription drugs
- ▶ Psychotherapy
- ▶ Radiation treatments
- ▶ Remedial reading*
- ▶ Respirators
- ▶ Smoking cessation programs
- ▶ Specialized equipment for disabled persons
- ▶ Special devices for the visually impaired, such as a tape recorder and typewriter
- ▶ Speech therapy
- ▶ Sterilization surgery
- ▶ Transportation expenses related to medical care
- ▶ Water fluoridation services*
- ▶ Well baby and well child care
- ▶ Wheelchairs
- ▶ Whirlpool baths*
- ▶ Wigs for hair loss due to a disease*
- ▶ X-rays

In 2004 you will be able to use HCRA to reimburse your costs for certain over-the-counter (OTC) drugs. UC is amending the plan effective January 1, 2004, to reflect a recent IRS ruling that permits reimbursement for OTC purchases for "medical care" — for example, antacids, cold and allergy medications and pain relievers. Items that are simply beneficial to an individual's health, such as dietary supplements, will not be eligible for reimbursement. For more information about this new category of reimbursable expenses, call SHPS or watch their website (www.shps.net/myshps).

* These expenses require a doctor's certification indicating the medical disorder, the specific treatment and how the treatment will alleviate the disorder.

Ineligible Expenses: A Partial List

Expenses that do not meet the requirements of the program include:

- ▶ Cosmetic services
- ▶ Expenses you claim on your income tax return
- ▶ Some expenses that are not tax-deductible
- ▶ Expenses reimbursed by other sources, such as insurance plans
- ▶ Fees for exercise or health clubs, unless medically necessary
- ▶ Hair transplants
- ▶ Illegal treatments, operations or drugs
- ▶ Most insurance premiums
- ▶ Postage and handling fees
- ▶ Weight loss programs that are not medically necessary

Be aware that expenses submitted for reimbursement must meet IRC regulations. If your health care expenses are not clearly eligible, SHPS, Inc., the company UC has hired to administer this program, may ask you to submit additional information to determine whether the reimbursement is allowed. In some cases, you may need a statement from your tax advisor verifying that the expense in question is eligible for reimbursement.

HOW MUCH CAN I CONTRIBUTE TO MY HEALTH CARE REIMBURSEMENT ACCOUNT?

You may contribute up to \$5,000 per plan year. If both you and your spouse are UC employees, you may each contribute up to \$5,000.

It's important that you estimate your health care expenses carefully. **You forfeit any contributions you can't claim (see below).**

IS THERE A MINIMUM CONTRIBUTION AMOUNT?

Yes. To participate in the Health Care Reimbursement Account, you must contribute a minimum of \$180 per year.

WHAT HAPPENS TO ANY HEALTH CARE REIMBURSEMENT ACCOUNT MONEY I DON'T USE?

The IRS requires you to forfeit any unclaimed money in your Health Care Reimbursement Account after the closing date for the plan year.

The Health Care Reimbursement Account can help you save on your taxes, but only if you:

- ▶ **Carefully estimate your Health Care Reimbursement Account expenses.** (See page 6, "Can I Change or Cancel My Contribution?")
- ▶ **Recalculate and adjust your Health Care Reimbursement Account contribution annually during Open Enrollment or within a new 31-day period of initial eligibility (PIE) because of a change in family or employment status.**
- ▶ **Submit claims on time.** The final deadline for the Health Care Reimbursement Account year is April 15 of the following year. (See page 5, "How Do I File Claims?")

IMPORTANT: All claims for services received during 2004 must be received by SHPS, Inc., the company UC has hired to administer this program, by April 15, 2005, or you will forfeit any unclaimed balance in your Health Care Reimbursement Account. Allow ample time for mailing. Claims must be received, not just postmarked, by the deadline. SHPS, Inc. will accept faxes. The fax number is 1-502-267-2233.

In accordance with IRC regulations, UC uses forfeited funds to pay administrative costs of the Health Care Reimbursement Account program.

HOW DO I KEEP TRACK OF MY ACCOUNT BALANCE?

SHPS, Inc., maintains a website where you can check your balances (www.shps.net/myshps).

Once you enroll, SHPS will send instructions on how to access balance and other personal information on their website.

You can also get balance information by calling the SHPS toll-free telephone number: 1-877-270-3915.

If you sign up with SHPS to have your reimbursement automatically deposited to your bank account, SHPS will send you an email each time a reimbursement is sent (if you have provided your email address). If you choose to receive your reimbursement by paper check, you will receive an account statement with each check.

SHPS will send you quarterly account statements and, after the end of the plan year, a summary of your account activity for the year. You should keep this summary for tax records.

WHEN MAY I ENROLL AND WHEN IS MY COVERAGE EFFECTIVE?

You may enroll only at the following times:

- ▶ **When you first become eligible for the Health Care Reimbursement Account.** (See page 2, “Who Can Participate?”) You may enroll during your period of initial eligibility (PIE), which begins the day you become eligible and ends 31 days later. If you enroll by paper form, your PIE ends on the last working day of that 31-day period. The effective date is the first day of the month following your enrollment, subject to payroll deadlines.
- ▶ **During Open Enrollment.** If you sign up during Open Enrollment (usually held in November), the effective date is January 1 of the following year.
- ▶ **When you have a change in family or employment status.** You may enroll, cancel or change the amount of your HCRA contribution during the plan year if your circumstances change and qualify as an “eligible change in status.” An eligible change creates a new PIE. The effective date is the first day of the month following your action, subject to payroll deadlines. (See page 6, “Can I Change or Cancel My Contribution?”)

DO I HAVE TO ENROLL EVERY YEAR?

Yes. You can enroll in the Health Care Reimbursement Account for only one year at a time. Enrollment for all participants ends on December 31 of each year. To participate in the Health Care Reimbursement Account for the following year, you must enroll during the preceding Open Enrollment.

HOW DO I ENROLL?

- ▶ **When you become eligible.** If you’re a newly eligible employee, you may enroll on UC’s At Your Service website (<http://atyourservice.ucop.edu>). If you don’t have access to the Internet, you should complete the *DepCare/HCRA/TIP Salary Reduction Agreement (UPAY 717)* and send it to your payroll or Benefits Office.
- ▶ **During Open Enrollment.** You use UC’s At Your Service website to enroll. The Health Care Reimbursement Account requires annual enrollment; it does not continue from one year to the next.

- ▶ **When your family or employment status changes.** If you’re a current employee and have an eligible change in status, you should complete the *DepCare/HCRA/TIP Salary Reduction Agreement (UPAY 717)*, available on the At Your Service website, to enroll in the Health Care Reimbursement Account or to change or cancel the amount of your Health Care Reimbursement Account contribution. (See page 6, “Can I Change or Cancel My Contribution?”) Send the form to your Payroll or Benefits Office.

HOW DO I FILE CLAIMS?

You can get a copy of the claim form at the SHPS website (www.shps.net/myshps). You can complete the form online, print it out, sign it, and then mail it, along with the appropriate documentation, to:

SHPS, Inc.
FSA Processing Center
P.O. Box 34700
Louisville, Kentucky 40232-4700

If you don’t have access to the Internet, you can get a claim form by calling SHPS’s toll-free number: 1-877-270-3915.

You must submit claims yourself; claims submitted by a spouse or other family member will be returned. With your claim, include a **copy** of the health plan’s EOB (Explanation of Benefits) or other required information. Be sure to submit copies only; SHPS does not return or keep copies of bills or receipts. SHPS will not accept cancelled checks in lieu of a bill or receipt.

Faxed claims and documentation are acceptable. SHPS’s fax number is 1-502-267-2233.

You must certify on the claim form that your expenses are eligible under the program.

With the Health Care Reimbursement Account, you have access to the total amount you elected for the plan year as soon as eligible expenses are incurred.

WHEN CAN I EXPECT MY REIMBURSEMENT?

Claims are processed within ten business days of receipt by SHPS, and payments are released no later than the following day. In other words, whether you choose to be reimbursed by check or by EFT (Electronic Funds Transfer), SHPS will release your payment in 11 business days or less.

If your claim is for less than the minimum reimbursement amount of \$25, SHPS will process your claim but hold your reimbursement until you reach the minimum amount.

IF SHPS ACCEPTS MY CLAIMS, DOES THIS ASSURE THE IRS WILL, TOO?

No. It is your responsibility to make sure that expenses you submit for reimbursement are eligible under the program. You are responsible for taxes and penalties associated with any ineligible expenses if the IRS audits you.

Note that eligible expenses reimbursed from your Health Care Reimbursement Account cannot be included in itemized deductions on your income tax return. The amount of your salary reduction contribution appears on your annual W-2 statement.

CAN I CHANGE OR CANCEL MY CONTRIBUTION?

You can always change your contribution during Open Enrollment (usually held in November); changes made during Open Enrollment are effective January 1. You can enroll in the Health Care Reimbursement Account for only one year at a time, so if you **do not** enroll during Open Enrollment, your participation in the Health Care Reimbursement Account will end on December 31.

Certain changes in your family or employment status may also provide a new 31-day PIE, in which you may start or stop participating or change the amount of your contribution during the plan year. Eligible changes include:

- ▶ A change in number of dependents;
- ▶ A change in your legal marital status;
- ▶ A change in employment status that causes a gain or loss of benefit eligibility.

Changes to participation and/or to contribution amounts during the plan year must be made on account of and consistent with an eligible change in

status. Once you have specified a salary reduction, that amount is taken from your paycheck and deposited in your Health Care Reimbursement Account each month. Federal rules prohibit retroactive adjustments.

WHAT IF I GO ON LEAVE OR SEPARATE FROM THE UNIVERSITY?

Your monthly contribution continues only as long as you remain on active pay status. If you leave UC, your participation ends at the end of the pay period in which your last contribution is deducted from your paycheck unless you continue participation under COBRA (see page 7). For example, if you are paid monthly and you leave UC employment in February, your last contribution to your Health Care Reimbursement Account is taken from your February earnings and your participation ends March 31.

You may submit claims for eligible expenses incurred through the last day of participation in the plan. Expenses incurred after this date are not eligible for reimbursement.

If you go on leave without pay or are temporarily laid off, your contributions to the Health Care Reimbursement Account stop. Your participation ends at the end of the month following the month in which your last contribution was made. For example, if you went on leave without pay in February, and your March paycheck (for February earnings) was large enough to make your monthly HCRA contribution, then your participation would end on April 30. While on leave, you may continue to submit claims for eligible expenses incurred before your participation ends. Expenses incurred during the leave after your participation ends are generally not eligible unless you continue participation under COBRA (see page 7).

However, if you are on an approved FMLA leave (FMLA is the Federal Family and Medical Leave Act), you may choose to continue participation during your leave. In this case, eligible expenses incurred during your leave would be reimbursable. In order to continue participation during your FMLA leave, you must complete the *DepCare/HCRA/TIP Salary Reduction Agreement (UPAY 717)* before your leave begins. The form requires you to select one of two options for continuing your contributions upon return to work. Otherwise, your participation will end as described above. See your local Benefits Office for details.

If you stop working at UC for 120 days or longer and are then rehired, or if you return from a leave without

pay of 120 days or longer, you have the same reenrollment options as a new employee (see page 5, “How Do I Enroll?”). If you are rehired or return from a leave without pay in less than 120 days and choose to reenroll in the Health Care Reimbursement Account for the remainder of the plan year, your annual contribution must be the same as before you left UC. There is one exception: If you return from an unpaid FMLA leave, then your annual contribution will be based on the option you selected before you went on the leave.

CAN I ELECT COBRA IF I STOP WORKING FOR UC?

If you leave UC employment during the plan year, SHPS will send you a “Qualifying Event Notice” explaining the procedure for continuing your participation under COBRA, the Consolidated Omnibus Budget Reconciliation Act of 1985. With COBRA, you and your eligible dependents can continue your participation through the end of the current plan year (December 31) by making direct, after-tax payments to your account(s).

You might consider COBRA if, for instance, you have an account balance when you leave UC employment and you have planned a surgery for later in the year. Remember, you can claim only those expenses you incur while participating in the plan. So in this example, continuing participation through COBRA would allow you to claim eligible surgery-related expenses.

WHAT IF I HAVE A PROBLEM OR QUESTION?

If you have questions about your account, you can call the SHPS toll-free number (1-877-270-3915) to speak with one of their customer service representatives. You can access your account information through the SHPS website—www.shps.net/myshps—or by calling the SHPS automated telephone service at 1-877-270-3915.

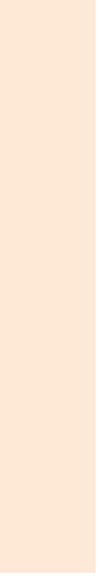
If your reimbursement check is in error or if you don’t receive it, please call SHPS directly at: 1-877-270-3915.

If you have a problem that SHPS cannot resolve, contact your local Benefits Office or the person in your department who handles benefits.

Please note that individual account information—contribution amounts, reimbursements, account balance, and claim status—are confidential. This information is available only to the UC employee who is the account participant.

ARE THERE ANY DEADLINES I SHOULD WORRY ABOUT?

Yes. See page 4, “What Happens to Any Health Care Reimbursement Account Money I Don’t Use?”



By authority of The Regents, University of California Human Resources and Benefits, located in Oakland, administers all benefit plans in accordance with applicable plan documents and regulations, custodial agreements, University of California Group Insurance Regulations, group insurance contracts, and state and federal laws. No person is authorized to provide benefits information not contained in these source documents, and information not contained in these source documents cannot be relied upon as having been authorized by The Regents. Source documents are available for inspection upon request (1-800-888-8267). What is written here does not constitute a guarantee of plan coverage or benefits—particular rules and eligibility requirements must be met before benefits can be received. The University of California intends to continue the benefits described here indefinitely; however, the benefits of all employees, annuitants, and plan beneficiaries are subject to change or termination at the time of contract renewal or at any other time by the University or other governing authorities. The University also reserves the right to determine new premiums, employer contributions and monthly costs at any time. Health and welfare benefits are not accrued or vested benefit entitlements. UC's contribution toward the monthly cost of the coverage is determined by UC and may change or stop altogether, and may be affected by the state of California's annual budget appropriation. If you belong to an exclusively represented bargaining unit, some of your benefits may differ from the ones described here. Contact your Human Resources Office for more information.

In conformance with applicable law and University policy, the University is an affirmative action/equal opportunity employer. Please send inquiries regarding the University's affirmative action and equal opportunity policies for staff to Director Mattie Williams, University of California Office of the President, 300 Lakeside Drive, Oakland, CA 94612 and for faculty to Executive Director Sheila O'Rourke, University of California Office of the President, 1111 Franklin Street, Oakland, CA 94607.

Website address: <http://atyourservice.ucop.edu>





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