

UNIVERSITY OF CALIFORNIA

Health Care Reimbursement Account (HCRA)

FEBRUARY 2008

Table of Contents

What the Health Care Reimbursement Account Is	1
How HCRA Works	1
How HCRA Can Save You Money.....	1
How HCRA Affects Social Security and Unemployment Insurance Benefits.....	1
HCRA Does Not Affect UCRP and UC Retirement Savings Program	1
Who Can Participate.....	2
What Dependents Are Eligible.....	2
When You May Enroll and When Coverage is Effective.....	2
You Must Enroll Every Year.....	2
How to Enroll.....	2
What Expenses Are Eligible	2
How Much You Can Contribute to Your HCRA	4
Important Deadlines	4
How to Keep Track of Your Account Balance.....	4
Using the Spending Account Card.....	4
Using a Claim Form.....	4
SHPS Acceptance of Card Purchases or Claims Does Not Assure IRS Acceptance.....	5
Changing or Cancelling Contributions.....	5
If You Go on Leave or Separate from the University	5
Electing COBRA if You Stop Working for UC	6
If You Have Problems or Questions	6
Appealing Your Claim	6
Midyear Election Actions Allowed Under HCRA.....	7
Appendix: The Spending Account Card.....	8

WHAT THE HEALTH CARE REIMBURSEMENT ACCOUNT IS

The Health Care Reimbursement Account (HCRA) is the University's health care flexible spending account (FSA). It allows you to pay on a pretax, salary reduction basis for eligible health care expenses not covered by your medical, dental, or vision plans. Because you use pretax dollars, your tax liability is reduced—but your actual tax savings depends on your individual circumstances. The program is established under Internal Revenue Code (IRC) §105.

HOW HCRA WORKS

After you enroll, your HCRA works like this:

- ▶ The amount you specify when you enroll is taken from your paycheck each month during the calendar year and deposited in your HCRA.
- ▶ You pay your health care expenses in one of two ways:
 - You can use the SHPS spending account card that you received after enrolling. (SHPS is the company with which UC has contracted to administer HCRA.) You can use the card to pay for eligible expenses electronically, like a debit/credit card, as explained further in other sections of this booklet and in the Appendix.
 - Or, you can pay for your eligible expenses with cash or by check, and then submit a claim form and an Explanation of Benefits (EOB) statement or detailed receipt as proof of services rendered to SHPS. SHPS will then send you a reimbursement payment, either by direct deposit to your bank account or by check.
- ▶ You have access to up to the total annual amount you elected as soon as eligible expenses are incurred.

HOW HCRA CAN SAVE YOU MONEY

Your savings are strictly on income taxes. Your HCRA contributions are deducted from your pay on a pretax 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 HCRA, you pay taxes on \$2,800 a month.

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

HCRA can help you save on your taxes, but only if you:

- ▶ **Carefully estimate your HCRA expenses.** (See page 5, “Changing or Cancelling Contributions”)
- ▶ **Recalculate and adjust your HCRA 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 HCRA year is **June 15 of the following year.** (See page 4, “Using a Claim Form”)

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

HOW HCRA AFFECTS SOCIAL SECURITY AND UNEMPLOYMENT INSURANCE BENEFITS

As discussed in the previous section, your HCRA 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 HCRA are above the Social Security wage base (\$102,000 at the time of this printing in 2008), 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 of participation in the HCRA are used to calculate your Social Security benefits.

The amount of your HCRA contribution also reduces the earnings used to calculate your unemployment insurance benefits.

HCRA DOES NOT AFFECT UCRP AND UC RETIREMENT SAVINGS PROGRAM

Your contributions to HCRA do not reduce the wages used to calculate your University of California Retirement Plan (UCRP) benefits, nor do they affect your Tax-Deferred 403(b) Plan or 457(b) Deferred Compensation Plan maximum annual contribution amounts.

WHO CAN PARTICIPATE

You may participate if

- ▶ You are in an appointment type that is eligible for benefits, **and**
- ▶ You're appointed to work at least 43.75 percent time, or
- ▶ You're an active employee who doesn't meet the appointment requirements above, but who has worked 1,000 hours in a 12-month period.

WHAT DEPENDENTS ARE ELIGIBLE

You can be reimbursed for your own health care expenses, plus the health care expenses of those who qualify as your dependents.

Qualifying dependents are:

- ▶ A legal spouse.
- ▶ A dependent such as a child/children, parent, or sibling or in-law, if claimed as a tax dependent on your federal tax return.
- ▶ A domestic partner or domestic partner's children, if claimed as a tax dependent on your federal tax return.

Note that these rules are established by the IRS and are different than UC rules for other plans.

WHEN YOU MAY ENROLL AND WHEN COVERAGE IS EFFECTIVE

You may enroll only at the following times:

- ▶ **When you first become eligible for HCRA.** (See above, "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 family or employment status change.** You may be eligible to 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 enrollment, subject to payroll deadlines. (See the chart on page 7.)

YOU MUST ENROLL EVERY YEAR

You can enroll in HCRA for only one year at a time. Enrollment is for the current plan year (January 1 through December 31) only, ending on December 31 of each year. To participate in HCRA for the following year, you must enroll during Open Enrollment.

HOW TO ENROLL

- ▶ **When you become eligible.** If you're a newly eligible employee, you may enroll on UC's At Your Service website (atyourservice.ucop.edu). If you don't have access to the internet, you should complete the *DepCare/HCRA Enrollment 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. HCRA 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 Enrollment, Change or Cancellation Salary Reduction Agreement* form (UPAY 919), available on the At Your Service website, to enroll in HCRA or to change or cancel the amount of your contribution. (See page 5, "Changing or Cancelling Contributions.") Send the form to your Payroll or Benefits Office.

WHAT 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.**

- ▶ Expenses must be incurred during the HCRA plan year and grace period: January 1 through March 15 of the following year. 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 5, "If You 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 return. For more information, consult your tax advisor.

Eligible Expenses: A Partial List

The HCRA is used for health care expenses not paid by insurance. A full list of eligible and ineligible expenses, which are subject to change, is given on SHPS website (myshps.com).

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

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

** Contact SHPS for payment procedures.

- ▶ 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
- ▶ Certain over-the-counter (OTC) drugs and items—see UC's At Your Service website (atyourservice.ucop.edu) for a list of eligible and ineligible OTC items and a list of items requiring a doctor's certification indicating the specific medical condition, the specific treatment needed, and how this treatment will alleviate the medical condition.
- ▶ Water fluoridation services*
- ▶ Well baby and well child care
- ▶ Wheelchairs
- ▶ Whirlpool baths*
- ▶ Wigs for hair loss due to a disease*
- ▶ X-rays

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
- ▶ 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 may ask you to submit additional information to determine whether the reimbursement is allowed.

HOW MUCH YOU CAN CONTRIBUTE TO HCRA

You may contribute up to \$5,000 per plan year (\$416.67 per month). If both you and your spouse are UC employees, you may each contribute up to \$5,000.

To participate in HCRA, you must contribute a minimum of \$180 per year (\$15 per month).

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

The IRS requires you to forfeit any unclaimed money in your Health Care Reimbursement Account after the closing date for the plan year. This IRS rule applies to all flexible spending account programs.

However, under IRS provisions enacted in 2006, you are permitted to use any funds that remain in your HCRA account as of December 31 for eligible expenses that you incur through March 15 of the following year.

IMPORTANT DEADLINES

For 2008: You may use funds in your 2008 HCRA account for eligible expenses incurred from January 1, 2008 through March 15, 2009. Any paper claim forms for reimbursement of 2008 account funds must be received by SHPS by June 15, 2009.

IMPORTANT: All paper claim forms for services received during 2008 must be received by SHPS, Inc., by June 15, 2009, or you will forfeit any unclaimed balance in your Health Care Reimbursement Account. Claims must be postmarked by the deadline. SHPS also will accept faxes. The fax number is 1-866-643-2219.

In accordance with IRC regulations, UC uses forfeited funds to pay administrative costs of the HCRA program.

HOW TO KEEP TRACK OF YOUR ACCOUNT BALANCE

You can receive email statements if you register your email address with SHPS at their website (spendingaccount.shps.com).

If you do not register an email address, SHPS will mail statements to you.

You can also check your balances at the SHPS website (spendingaccount.shps.com).

Additionally, you can phone SHPS toll-free at 1-877-270-3915.

If you use the paper claim form reimbursement process and 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.

USING THE SPENDING ACCOUNT CARD

Your spending account card works like a debit card (but you do not need to use a PIN). When you use it to pay for an eligible expense, the amount of the expense is electronically debited from your HCRA account. Because a PIN is not required, you should specify "Credit" if the swipe machine you are using asks whether you are making a debit or credit transaction. See Appendix on page 8 for details.

You may use the card to pay for eligible expenses at health care providers and merchants who accept VISA® cards. **You should keep all receipts when you use the card. Under IRS rules, every card purchase must be validated and you may be required to submit receipts to SHPS. Many spending account card payments in 2008 will be automatically authorized at the point of service or sale.**

Your card will be good for use for three calendar years. However, the card will be activated only in those years in which you have enrolled in HCRA.

In situations where you cannot use the card, or if you prefer not to use the card at all, you can file claim forms for reimbursement, as explained below.

USING A CLAIM FORM

You can get a copy of the claim form at the SHPS website (myshps.com). You can complete the form online, print and sign it, and then mail or fax it, along with the appropriate documentation, to the address or fax number on the form.

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 sign claim forms yourself; claims signed 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.

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

Claims are processed within 10 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. With EFT, payments are posted to the designated bank account within 48 hours after the process date.

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.

SHPS ACCEPTANCE OF CARD PURCHASES OR CLAIMS DOES NOT ASSURE IRS ACCEPTANCE

It is your responsibility to make sure that expenses you pay with the card or 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.

CHANGING OR CANCELLING CONTRIBUTIONS

Once you have specified a salary reduction, that amount is taken from your pay and deposited in your HCRA each month. Federal rules limit adjustments.

However, certain changes in your family or employment status may provide a new 31-day PIE during which you may start or stop participating or change the amount of your contribution during the plan year. See the chart on page 7 for eligible changes.

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. **Your new annual contribution amount applies**

to all expenses incurred on and after the effective date of the change, less any reimbursements that were already made before the change. No retroactive charges are allowed.

IF YOU 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 6). 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 final paycheck 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 HCRA stop. Your participation ends at the end of the month following the month in which your last contribution was made. For example, if you go on leave without pay in February, and your March paycheck (for February earnings) is large enough to make your monthly HCRA contribution, then your participation ends on April 30. While on leave, you may continue to submit claims, expenses incurred during the leave after your participation ends are not eligible unless you continue participation under COBRA (see page 6).

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 Enrollment, Change or Cancellation Salary Reduction Agreement* form (UPAY 919) before your leave begins. Otherwise, your participation will end as described above. The form requires you to select one of three options for continuing or cancelling your contributions upon return to work. 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 re-enrollment options as a new employee (see page 2,

“How to Enroll”). If you are rehired or return from a leave without pay of less than 120 days and choose to re-enroll in HCRA for the remainder of the plan year, your annual contribution must be the same as before you left UC.

ELECTING COBRA IF YOU 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 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.

IF YOU HAVE PROBLEMS OR QUESTIONS

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—spendingaccount.shps.com—or by calling the SHPS automated telephone service at 1-877-270-3915.

If your EFT or reimbursement check is in error, or if you do not receive your reimbursement, 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—is confidential. This information is available only to the UC employee who is the account participant.

APPEALING YOUR CLAIM

If your claim is denied, you can appeal SHPS’ decision by contacting SHPS directly. If, after your appeal, you still are not satisfied, you can submit a second appeal. Send your second appeal in writing, along with copies of all documents to support your appeal, to:

FSA Appeal Committee
Health & Welfare Administration
University of California
300 Lakeside Drive, #12052
Oakland, CA 94612

MIDYEAR ELECTION ACTIONS ALLOWED UNDER HCRA

In this chart:

- ▶ “spouse” means your legal spouse
- ▶ “dependent” means anyone you claim as a federal tax dependent, such as a child, domestic partner, parent, sibling or in-law
- ▶ “health plan” includes a medical, dental or vision plan; “health FSA” means a health care flexible spending account.

Event	Action Allowed			
	Enroll?	Increase Contribution?	De-enroll?	Decrease Contribution?
Change in your marital status				
You marry	yes	yes		
You marry and either <ul style="list-style-type: none"> • you and/or your dependent become eligible under and enroll in your new spouse’s own employer’s health plan, or • your spouse is enrolled in his or her own employer’s health FSA 			yes	yes
You lose your legal spouse through death, divorce, legal separation or annulment				yes
You lose your legal spouse through death, divorce, legal separation or annulment and you and/or your dependent lose coverage under your spouse’s employer’s health plan or health FSA	yes	yes		
Gain or loss of a dependent				
You gain an eligible dependent (for example, through birth, adoption, or your eligible child moves in with you)	yes	yes		
You lose an eligible dependent or a dependent loses eligibility (for example, through death, or when an individual is no longer financially supported by you)				yes
Change in employment status that affects benefits eligibility				
You, your spouse or dependent gains eligibility for and enrolls in own employer’s health FSA, or enrolls self and you in own employer’s health plan, because you/he/she <ul style="list-style-type: none"> • starts employment, or • has an employment status change 			yes	yes
Your spouse or dependent loses eligibility for own employer’s health FSA or health plan because you/he/she <ul style="list-style-type: none"> • ends employment, or • has an employment status change 	yes	yes		

Appendix: The Spending Account Card

WHERE YOU CAN USE THE CARD

You can use the card to pay for qualified health care expenses at participating providers' offices (doctors, dentists, vision care providers), hospitals and other health care facilities, traditional drug stores and pharmacies, and other merchants—as long as they accept VISA®.

Under new legislative requirements, the number of retail locations that will automatically authorize card purchases for eligible expenses was expanded as of January 2008. You can see the list of these retail locations and updates to the list on the SHPS website (myshps.com).

If VISA® is not accepted by the provider, facility, or merchant, you will need to file a HCRA reimbursement claim form as explained on page 4.

AUTOMATICALLY APPROVED EXPENSES

Whether or not you will need to submit purchase documentation after using the card depends on the type of expenses you incur (see also the next section). Although the IRS requires that you maintain all receipts, the following expenses will be automatically authorized when you use the card in 2008, and you won't need to submit your receipts to SHPS for these specific expenses:

- ▶ Medical plan copayments (for office visits and other services)
- ▶ Prescription drug copayments
- ▶ Dental plan payments (copayments and coinsurance)
- ▶ Vision plan payments (copayments and coinsurance)
- ▶ Qualified over-the-counter drugs and medical supplies purchased from participating retail merchants, drug stores, and pharmacies

EXPENSES FOR WHICH YOU WILL NEED TO SUBMIT RECEIPTS

Be sure to retain all receipts whenever you use the card to comply with IRS rules.

When you use the card to pay for **any expense not listed in the previous section**, SHPS will require that you submit a receipt for the expense after the fact so that the expense can be verified as qualified for payment from your account. SHPS will notify you about expenses for which you must submit receipts on your account statements and your online account information at myshps.com. Submit your receipts as soon as possible within the time limit (60 days after notification). It is your responsibility to cooperate with SHPS in this regard and to meet deadlines for submitting receipts to avoid the possible consequences outlined in the next section.

IF AN EXPENSE CANNOT BE APPROVED

If you do not submit requested receipts within the time limit, or if SHPS determines that an expense is not qualified for payment from your HCRA account, SHPS will consider the expense ineligible, and you will be in overpayment status from your account for the amount of the expense. In this case, you will be asked to send a check to SHPS for the amount of the overpayment, which will be credited to your HCRA account. You may also submit another receipt for qualified expenses.

If you do not send in a check to reverse the overpayment or submit a receipt or other documentation to substantiate the expense, and remain in overpayment status for 60 days, the University will de-activate your card for the remainder of the current plan year. You will still be able to use your HCRA account by filing reimbursement claim forms in this case, however.

If you do not resolve the overpayment issue by the June 15 that follows the end of the plan year, the University will consider the overpayment a debt, and collections action may be initiated. If the debt is not paid off by the end of the current tax year, UC will add the overpayment amount to your taxable income for the year as reflected in your W2 Form.

IF YOU DO NOT RE-ENROLL IN HCRA AND WANT TO USE FUNDS THAT REMAIN IN YOUR ACCOUNT

You cannot use the card in a year in which you are not enrolled in HCRA. If you do not enroll in HCRA for 2009, but have HCRA funds remaining in your account on December 31, 2008, you may use those funds for eligible expenses that you incur through March 15, 2009—but you will have to file paper reimbursement claim forms as explained on page 4 to receive reimbursement. You will have until June 15, 2009 to file any claims.

FREQUENTLY ASKED QUESTIONS

1. When can I start using my spending account card?

If you have enrolled in HCRA for the current plan year, you may begin using the card at the beginning of the plan year (January 1), once you have activated and signed the card.

2. How do I activate my card?

Call the card activation number (866-285-2425). Your activation code is the last four digits of your Social Security number. Sign the signature panel on the reverse side of the card. Dependent or additional cards do not require activation as long as your account has been activated.

3. Is there a fee for using the spending account card?

No, there will be no annual or monthly fee.

4. Will I get a new card each year?

No, your card will be valid for three years as long as you re-enroll each year. When the card expires after three years, you will receive a new card upon re-enrolling in HCRA.

5. How many cards are issued to each family?

Initially, one card is issued per family. If additional cards are needed, contact SHPS Customer Service at the phone number listed on the back of your card. You may have additional cards issued in your dependents' names.

6. Can I use the spending account card for over-the-counter (OTC) medicine purchases?

Yes, you can use your card to purchase OTC items. For details on eligible expenses, visit myshps.com.

Remember to save your receipts.

7. Am I required to submit my receipts to SHPS to substantiate my claim?

The IRS requires that only eligible health-related expenses be purchased using your card. So, it is important to save your receipts for all of your eligible expenses. A receipt-saving envelope will be provided by SHPS for your convenience. If SHPS requires that you submit your receipts, you will be notified.

8. What should I do if I receive services from a provider or merchant that doesn't accept the card?

You should pay for your expense by other means (cash, check, commercial credit or debit card), and then file a claim form for reimbursement.

9. Can I use my spending account card at an ATM to obtain cash for a health-related expense?

No. Your spending account card may only be used for purchase of qualified medical expenses. You cannot use your card to withdraw cash from an ATM.

10. My card did not work when I tried to use it. What could be the problem?

There are a few possibilities:

- ▶ You have not activated your card.
- ▶ Your purchase is not an eligible health care expense. Examples include magazines, cosmetics, or vitamins.
- ▶ Your purchase is from a merchant that is not recognized as a health-care merchant.
- ▶ You have exceeded your annual contribution amount.

If you've been unable to use the card for your purchase, you may pay for the expense with another form of payment (cash, check, commercial credit or debit card), and then file a claim for reimbursement.

11. What should I do if I don't want to use the spending account card to pay for any eligible expenses?

If you have activated your card but are not going to use it to pay for any eligible expenses, please contact SHPS Customer Service so your card can be deactivated. If you have not yet activated your card, you can simply destroy it as you would other cards.

12. Can I use the spending account card to purchase items, such as prescription drugs and contacts, by mail order or online?

Yes. Simply enter your card number for items such as prescription drugs or contacts as you would when purchasing online with a credit card.

13. How do I report a lost or stolen card?

To report a lost or stolen card, call SHPS Customer Service at 1-888-835-3060. SHPS will mail a replacement card to you. A card replacement fee will be charged.

14. How do I know the balance on my card?

Tracking your account is easy. Visit spendingaccount.shps.com for balance, transaction history and other information. Alternately, you may use the SHPS 24-hour interactive voice response system by calling the number listed on the back of your card.

Nondiscrimination Requirements

In order to prevent this plan from being characterized as discriminatory by the Internal Revenue Service and therefore ineligible for federal tax treatment, the plan administrator may reject any elections or reduce contributions or benefits during the plan year. This means payroll deductions may be reduced or stopped as needed.

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, retirees, 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.

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) provides for continued coverage for a certain period of time at applicable monthly COBRA rates if you, your spouse, or your dependents lose group medical, dental, or vision coverage because you terminate employment (for reasons other than gross misconduct); your work hours are reduced below the eligible status for these benefits; you die, divorce, or are legally separated; or a child ceases to be an eligible dependent. Note: The continuation period is calculated from the earliest of these qualifying events and runs concurrently with any other UC options for continued coverage. See your Benefits Representative 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 of Diversity and Employee Programs, University of California Office of the President, 300 Lakeside Drive, Oakland, CA 94612 and for faculty to Director of Academic Affirmative Action, University of California Office of the President, 1111 Franklin Street, Oakland, CA 94607.

Website address: atyourservice.ucop.edu



University of California
Human Resources and Benefits
P.O. Box 24570
Oakland, CA 94623-1570

26M



2420 2/08