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 HCRA 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 ($94,200 in 2006), 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 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 calculate your unemployment insurance benefits.

DOES THE HEALTH CARE REIMBURSEMENT ACCOUNT AFFECT RETIREMENT SAVINGS PROGRAM AND UCRP BENEFITS?
No. Your contributions to the Health Care Reimbursement Account 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’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 DEPENDENTS ARE ELIGIBLE?**

Qualifying dependents are:

- A legal spouse.
- A dependent such as a child/children, parent, 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.

**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.myshps.com); partial lists of these expenses appear below.

- Expenses must be incurred during the Health Care Reimbursement Account plan year: 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 7, “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 return.

**Eligible Expenses: A Partial List**

The Health Care Reimbursement Account is used for health care expenses not paid by insurance.

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
- Over-the-counter drugs***
- 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

* These expenses require a doctor’s certification indicating the medical disorder, the specific treatment and how the treatment will alleviate the disorder.
** Contact SHPS for payment procedures.
*** See UC’s At Your Service website (atyourservice.ucop.edu) for a list of eligible over-the-counter drugs. A cash register receipt with the name of the item is required.
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, Inc., the program administrator, 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.

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 7, “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 June 15 of the following year. (See page 5, “How Do I File Claims?”)

IMPORTANT: All claims for services received during 2006 must be received by SHPS, Inc., by June 15, 2007, 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 1-866-643-2219.

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.myshps.com).

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.
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 family or employment change.** 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 the chart on page 6.)

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 (atyourservice.ucop.edu). If you don’t have access to the Internet, you should complete the DepCare/HCRA Enrollment Salary Reduction Agreement form (UPAY 717) and send it to your Accounting 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 HCRA/DepCare Enrollment, Change or Cancellation Salary Reduction Agreement form (UPAY 919), available on the At Your Service website, to enroll in the Health Care Reimbursement Account or to change or cancel the amount of your contribution. (See page 7, “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.myshps.com) or at UC’s At Your Service website (atyourservice.ucop.edu). You can complete the form online, print it out, sign it, and then mail it 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 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.

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.
**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.

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<tr>
<td><strong>Change in your marital status</strong></td>
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<tr>
<td>You marry</td>
<td>yes</td>
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<td>You marry and either</td>
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<td>• you and/or your dependent become eligible under and</td>
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<td>enrol in your new spouse’s own employer’s health plan, or</td>
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<td>• your spouse is enrolled in his or her own employer’s health FSA</td>
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<td>You lose your legal spouse through death, divorce, legal separation</td>
<td>yes</td>
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<td>or annulment</td>
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<td>You lose your legal spouse through death, divorce, legal separation</td>
<td>yes</td>
<td>yes</td>
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<td>or annulment and you and/or your dependent lose coverage</td>
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<td>under your spouse’s own employer’s health plan or health FSA</td>
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<td><strong>Gain or loss of a dependent</strong></td>
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<td>You gain an eligible dependent (for example, through birth, adoption,</td>
<td>yes</td>
<td>yes</td>
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<td>or a child moves in with the employee)</td>
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<td>You lose an eligible dependent or a dependent loses eligibility</td>
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<td>yes</td>
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<td>(for example, through death, or when individual is no longer</td>
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<td>financially supported by you)</td>
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<td><strong>Change in employment status that affects benefits eligibility</strong></td>
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<td>You, your spouse or dependent gains eligibility for and enrolls</td>
<td>yes</td>
<td>yes</td>
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<td>in own employer’s health FSA, or enrolls self and you in own</td>
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<td>employer’s health plan, because you/he/she</td>
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<td>• starts employment, or</td>
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<td>• has an employment status change</td>
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<td>You, your spouse or dependent loses eligibility for own</td>
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<td>employer’s health FSA or health plan because you/he/she</td>
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<td>• ends employment, or</td>
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<td>• has an employment status change</td>
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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.

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. See the chart on page 6 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. 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 8). 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 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 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 8).

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. The form requires you to select one of three options for continuing or cancelling 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 re-enrollment 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 re-enroll 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 family member 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.myshps.com—or by calling the SHPS automated telephone service at 1-877-270-3915.

If your reimbursement check is in error or if you do not 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?"

**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