

## HEALTH CARE SPENDING ACCOUNT

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### 1. PURPOSE

The University recognizes it is in the best interests of the faculty and staff to establish a Health Care Spending Account (HCSA) under the Internal Revenue Code guidelines which allow employees to deduct from their payroll checks pre-allocated monies, on a tax-free basis, into an account which will reimburse eligible health related expenses.

The benefits described in this policy are intended only to convey a summary of the most important coverage provisions. In situations where a question or dispute arises, the plan document and applicable IRS guidelines will be the official and ruling instruments concerning this plan.

### 2. ELIGIBILITY

Faculty and staff who are scheduled (budgeted) to work a minimum of 1400 hours per year are eligible to participate.

### 3. PLAN YEAR

For purposes of the HCSA, the annual plan year is from January 1 to December 31.

### 4. ENROLLMENT

- a. The faculty/staff member must complete an election form indicating the desired level of participation in the HCSA for either an initial enrollment or re-allocations due to family status changes.
- b. Annual Election Period - Each year during the University's annual election period, faculty/staff members have an opportunity to re-state their participation level under the HCSA for the next plan year (January 1 to December 31).

### 5. EFFECTIVE DATE OF COVERAGE

- a. Individuals who meet the established criteria as stated in Section 2 above will have 30 days from their hire or initial eligibility to enroll in the flexible spending accounts.
- b. If an individual chooses not to enroll in the plan when initially becoming eligible, he/she may enroll in the plan during the annual election period prior to the commencement of the new plan year (January 1). (See section 4b above.)

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### 6. STATUS CHANGES

- a. If a faculty/staff member incurs a change in status during the plan year, he/she may increase his/her level of participation in the plan provided Human Resources (Benefits Administration) is contacted no later than 30 days after the event occurred and the proper enrollment forms are completed.
- b. A status change as defined under Internal Revenue Code guidelines includes the following: birth, marriage, divorce, adoption, and a change in a spouse's employment, which affects their benefits eligibility.
- c. Participants in a HCSA will not be permitted to decrease their allocation of premium dollars regardless of the type of status change.

### 7. PLAN LIMITS

- a. The maximum annual amount that may be deposited into a HCSA is \$4,000 which will be automatically deducted on a pre-tax basis.
- b. The minimum amount of money which may be deposited in a HCSA is \$50 annually.
- c. Faculty/staff members who begin employment after the beginning of the calendar year shall have their maximum limit pro-rated based on the number of pay periods remaining in the calendar year.

Example: John Doe, paid monthly, starts March 1 and wishes to deposit the maximum allowable.

Plan Maximum is \$4000 less two elapsed months (\$667) = \$3333 Allowable Maximum

### 8. UNUSED MONIES

- a. Spending accounts should be used for predictable health care expenses. According to Internal Revenue Service rules, if faculty/staff members haven't incurred eligible expenses equal to the Flexible Spending Account balances by the end of the plan year (December 31), monies left in the accounts will be forfeited. However, claims may be submitted until March 31 of the following plan year for expenses incurred on or before December 31 of the prior calendar year.
- b. By law, health care and day care accounts must remain separate. Money in the health care account cannot be used to pay for expenses in the day care account or vice versa.

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### 9. REIMBURSABLE AMOUNTS

Subject to Internal Revenue guidelines, faculty/staff members may be reimbursed from a HCSA for all out-of-pocket expenses (not reimbursed through any other group plan) that normally could be claimed when filing annual federal tax returns (1040).

Some common examples of these expenses are:

- medical deductibles
- medical co-payments
- dental care expenses
- eye care expenses
- prescription co-payments and deductibles

### 10. TAX SAVINGS

When monies are allocated into a HCSA, they are not subject to either federal withholding or FICA (Social Security) taxes. As a result, the amount of money deposited is actually worth more on an after-tax basis.

### 11. FILING A CLAIM

- a. There are two types of claims under a HCSA: insured or uninsured claims.
  - (1) If an expense is incurred which is covered under any group insurance program under which the employee is insured, it must first be submitted to the applicable insurance carrier. Once the explanation of benefits (EOB) detailing the status of the specific claim (i.e., placed under the deductible, co-payments incurred etc.), then the unpaid balance may be submitted for reimbursement under the health care flexible spending account.
  - (2) Claims that are not covered under any group insurance carrier may be directly submitted under the HCSA by completing the HCSA Reimbursement Request and attaching a paid receipt indicating the date of the service and for whom the service was rendered.
- b. For the purposes of this plan, the maximum elected amount which was indicated on the faculty/staff member's enrollment form will be available up to the full amount elected at the beginning of the plan year upon presentation of eligible paid expenses.
- c. Claim forms are available in the Human Resources Department.

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### 12. SEPARATING FROM UNIVERSITY EMPLOYMENT

If a HCSA participant retires or otherwise terminates their employment with the University, reimbursement will only apply for eligible services and charges that occurred up to the separation date unless the participant elects to continue contributions on an after-tax basis as provided for under COBRA.

### 13. ADMINISTRATION

- a. The administration of faculty/staff HCSA is handled a third party administrator.
- b. While it is the intention of the University to provide a HCSA to all eligible individuals, it reserves the right to make any material modification to the Plan that it deems necessary, to change the reimbursement administration, or, if necessary, to cancel the Plan.

*Drafted by the Director of Human Resources, October 16, 2000*

Approved by the President, December 21, 2000