

Date: September 7, 2010

Code: TECHNICAL LETTER
HR/Benefits 2010-11

To: Human Resources Directors
Benefits Representatives

From: Evelyn Nazario 
Assistant Vice Chancellor
Human Resources Management

Subject: Changes to the CSU Flexible Spending Plans as a Result of Health Care Reform Legislation

Overview

Audience: Employees responsible for benefits administration of the Health Care Reimbursement Account (HCRA) Plan and/or the Dependent Care Reimbursement Account (DCRA) Plan.

Action Item: Information

Affected Employee Group(s)/Unit(s): All employees enrolled or eligible to enroll in HCRA and/or DCRA

Summary

The Patient Protection and Affordable Care Act (PPACA or Health Care Reform), HR 3590, was signed by President Obama on March 23, 2010, and modified by the Health Care and Education Reconciliation Act (Reconciliation Act), HR 4872, which was also signed by President Obama on March 30, 2010.

The healthcare-related provisions implemented by the Health Care Reform will become effective over the course of the next four (4) years. As a result of the Health Care Reform, the laws governing the reimbursement of over-the-counter (OTC) medicines are changing. Effective January 1, 2011, OTC medicines are ineligible for reimbursement under the HCRA plan unless the participant has obtained a written prescription from a health care provider.

Employees responsible for HCRA/DCRA administration should read this technical letter in its entirety.

Background

The Patient Protection and Affordable Care Act (PPACA or Health Care Reform), HR 3590, was signed by President Obama on March 23, 2010, and was modified by the Health Care and Education Affordability Reconciliation Act (Reconciliation Act), HR 4872, which also was signed by President Obama on March 30, 2010. The healthcare-related provisions implemented by the Health Care Reform will become effective over the course of the next four (4) years. As a result of the Health Care Reform, the laws governing the reimbursement of over-the-counter (OTC) medicines are changing. Effective January 1, 2011, OTC medicines are ineligible for reimbursement under the HCRA plan unless the participant has obtained a written prescription from a health care provider. *However, participants can continue to submit claims through June 30, 2011, for purchases of any eligible OTC medicines purchased through December 31, 2010.*

Distribution:

CSU Presidents
Vice Chancellor, Human Resources
Vice President, Administration

Eligible Expenses Reimbursable under HCRA

Following is a sample list of OTC medications that will no longer be reimbursed under HCRA, effective January 1, 2011, without a prescription:

Acid Controllers	Cold Sore Remedies	Motion Sickness Aids
Allergy and Sinus Medications	Cough, Cold and Flu Products	Pain Relief
Anti-Diarrhea Products	Digestive Aids	Respiratory Treatments
Anti-Gas Products	Feminine Anti-Itch/Anti-Fungal Products	Sleep Aids and Sedatives
Anti-Itch and Insect Bite Products	Hemorrhoid Remedies	Stomach Ailment Remedies
Baby Rash Ointments	Laxatives	

The Health Care Reform changes have no impact on other eligible expenses, including medical equipment, supplies, and diagnostic devices (i.e., bandages, hearing aid batteries, blood sugar test kits, contact lens solution, etc.). The following list includes items that remain eligible for reimbursement under HCRA. For additional information, please refer to IRS Publication 502 or

<http://www.asiflex.com/Eligible%20Expenses/eligibleexpenses.htm>.

Acupuncture	Hospital services	Prescription Medicines and co-pays
Alcoholism Treatment	Immunizations, including flu shots	Prosthesis
Ambulance	Infertility Treatments	Psychiatric care
Artificial Teeth	Insulin	Psychologist
Bariatric Surgery (i.e., Lap Band)	Laboratory/diagnostic fees	Radial keratotomy
Birth Control Pills	Language training for child with dyslexia or other disability	Reading Glasses (Prescription)
Braille books and magazines	Laser eye surgery	Smoking Cessation Programs
Chiropractors	Learning disability	Sterilization
Coinurance and Co-pay Amounts	Massage Therapy*	TMJ related treatments
Contact Lenses, solutions, cleansers	Norplant insertion and/or removal	Transplants
Contraceptives (i.e., condoms)	Nursing Services	Travel expenses (medical care only)
Crutches	Nutritionist's Expenses*	Vision Exam
Deductibles	Occlusal guards for teeth grinding	Wheelchair
Dental Treatment*	Orthodontia	Wigs (Medical Reasons Only)
Dermatologist Treatment*	OTC Medicines (Prescription only)	
Eyeglasses (Prescription)	Oxygen	<i>*Items eligible for reimbursement under HCRA if for treatment of current or imminent medical condition.</i>
Guide dog or other animal aide	Pap Smears	
Hearing device and batteries	Physical Therapy	

Employee Communication

A sample employee communication regarding changes to the HCRA plan that are effective January 1, 2011, is attached to this technical letter and can be personalized for campus distribution.

Reminder of Claims Extension Period of HCRA/DCRA Plans

As a reminder, the HCRA/DCRA plan year is January 1st – December 31st of each calendar year, and participants must submit claims no later than June 30th of the following year after the current plan year ends.

Under the grace period extension, current HCRA and/or DCRA participants that have remaining account balances as of December 31, 2010, will be allowed to incur eligible expenses up to March 15, 2011, and claims reimbursement will be applied first to existing 2010 balances, and then applied to 2011 Plan Year balance(s), if applicable. Claims applicable to HCRA cannot be reimbursed from DCRA account balances, and vice versa.

Participants, however, can request that a claim incurred between January 1st and March 15th be applied to the current plan year balance rather than the previous plan year. Such requests must be in writing and submitted with the claim for special handling.

Employees that are current participants in HCRA and/or DCRA, but do not re-enroll for the upcoming 2011 Plan Year, can utilize only the remaining 2010 account balance(s) for reimbursement of eligible grace period claims.

Open Enrollment Verification

It is an employee's responsibility to verify that he/she is enrolled in the appropriate HCRA and/or DCRA plan with the correct deduction amounts. Please encourage employees to verify these deductions on their January 1, 2010, pay warrant so that timely corrections (if necessary) can be processed by the State Controller's Office (SCO).

CMS Processing Instructions

Currently, flexible spending plan limit information is maintained in Oracle/PeopleSoft. However, the information contained in this technical letter has no impact on CMS Baseline.

Questions regarding this Technical Letter may be directed to Human Resources Management at (562) 951-4411. This Technical Letter is also available on the Human Resources Management's Web site at: <http://www.calstate.edu/HRAdm/memos.shtml>.

EN/mh

Attachment

Important Information Regarding**Health Care Reimbursement Account (HCRA) Plan and Dependent Care Reimbursement Account (DCRA) Plan**

Dear HCRA/DCRA Participant:

The purpose of this letter is to advise you that due to the new Health Care Reform signed by President Obama earlier this year, the laws governing the reimbursement of over-the-counter (OTC) medicines are changing. Effective January 1, 2011, over-the-counter (OTC) medicines are no longer eligible for reimbursement under the HCRA plan unless you submit your claim for the OTC medicine to ASI, the third party administrator with a written prescription from a health care provider.

The list below contains examples of OTC medications that will no longer be reimbursed under HCRA, effective January 1, 2011, without a prescription:

Acid Controllers	Cold Sore Remedies	Motion Sickness Aids
Allergy and Sinus Medications	Cough, Cold and Flu Products	Pain Relief
Anti-Diarrhea Products	Digestive Aids	Respiratory Treatments
Anti-Gas Products	Feminine Anti-Itch/Anti-Fungal Products	Sleep Aids and Sedatives
Anti-Itch and Insect Bite Products	Hemorrhoid Remedies	Stomach Ailment Remedies
Baby Rash Ointments	Laxatives	

Please note, you can continue to submit claims through June 30, 2011, for purchases of any eligible OTC medicines purchased through December 31, 2010.

The Health Care Reform changes have no impact on other eligible expenses, including medical equipment, supplies, and diagnostic devices (i.e. bandages, hearing aid batteries, blood sugar test kits, contact lens solution, etc.). To assist you with determining eligible, reimbursable health expenses and planning your annual contribution for the 2011 plan year, please see the attached Health Care Expense Planning Worksheet and a list of eligible vs. ineligible medical expenses provided by ASI, the third party administrator for HCRA and DCRA plans. You can also locate an extensive list of eligible expenses and services reimbursable under the Plans on ASI's website at:

<http://www.asiflex.com/Eligible%20Expenses/eligibleexpenses.htm>

Reminder: HCRA/DCRA Claims Extension

As a reminder, the HCRA/DCRA plan year is January 1st – December 31st of each calendar year, and you must submit claims no later than June 30th of the following year after the current plan year ends.

Under the grace period extension, current HCRA and/or DCRA participants that have remaining account balances as of December 31, 2010, will be allowed to incur eligible expenses up to March 15, 2011, and claims reimbursement will be applied first to existing 2010 balances, and then applied to 2011 Plan Year balance(s), if applicable. Claims applicable to HCRA cannot be reimbursed from DCRA account balances, and vice versa.

You, however, can request that a claim incurred between January 1st and March 15th be applied to the current plan year balance rather than the previous plan year. Such requests must be in writing and submitted with the claim for special handling.

Employees that are current participants in HCRA and/or DCRA, but do not re-enroll for the upcoming 2011 Plan Year, can utilize only the remaining 2010 account balance(s) for reimbursement of eligible grace period claims.

Claims will continue to be reimbursed by the 5th, 15th and 25th of the month.

Open Enrollment

If you wish to re-enroll in HCRA and/or DCRA for the 2011 plan year, you can enroll during the upcoming open enrollment period September 13, 2010 – October 8, 2010. **If you decide to enroll in HCRA and/or DCRA for the 2011 plan year, please plan your annual contribution carefully.**

Enrollment Verification

It is your responsibility to make sure that you are enrolled in the appropriate flexible spending plan(s) (i.e., HCRA and/or DCRA) and that the annual contribution that you elected is appropriately reflected in the correct monthly deduction on your pay warrant. **Please check your pay warrant dated January 1, 2011, and immediately report any discrepancies to the Benefits Office.** The earlier you verify your enrollment in HCRA/DCRA, can help to ensure smooth reimbursement transactions throughout the plan year!



HEALTH CARE EXPENSE PLANNING WORKSHEET

This worksheet will help you determine the dollar amount you will spend for medical expenses during the upcoming plan year. **Don't forget that expenses for any of your tax dependents are eligible for your employer's FSA program, even if they aren't on your employer's medical insurance programs.**

Starting January 1, 2011 Federal regulations require you to submit a prescription in order to claim any over-the-counter drugs/medications (e.g. pain killers, cold/allergy meds, etc.) through your health care FSA.

A more detailed list of eligible expenses is available on the reverse side of this worksheet and at www.asiflex.com.

	Annual Estimate
Medical Expenses not covered by Insurance	
Deductibles, co-pays, coinsurance	\$ _____
Physician visits/routine exams	\$ _____
Prescription drugs	\$ _____
Diabetic supplies	\$ _____
Annual physicals	\$ _____
Chiropractic treatments	\$ _____
Other: _____	\$ _____
Subtotal Medical Expenses	\$ _____
Dental Expenses not covered by Insurance	
Checkups/cleanings	\$ _____
Fillings	\$ _____
Root canals	\$ _____
Crowns/Bridges/Dentures	\$ _____
Oral surgery	\$ _____
Orthodontia (please contact ASIFlex for details)	\$ _____
Other: _____	\$ _____
Subtotal Dental Expenses	\$ _____
Vision/Hearing Expenses not covered by Insurance	
Exams	\$ _____
Eyeglasses	\$ _____
Prescription sunglasses	\$ _____
Contact lenses & cleaning solutions	\$ _____
Corrective eye surgery (LASIK, cataract, etc.)	\$ _____
Hearing exams and hearing aids (and batteries)	\$ _____
Subtotal Vision/Hearing	\$ _____
Total Health Care Expenses	\$ _____

FSA Eligible Expenses

- ✓ Acupuncture
- ✓ Alcoholism treatment
- ✓ Ambulance
- ✓ Artificial teeth
- ✓ Birth control pills
- ✓ Braille books and magazines
- ✓ Chiropractors
- ✓ Coinsurance amounts and deductibles
- ✓ Contact Lenses, solutions and cleaners
- ✓ Crutches
- ✓ Dental treatment*
- ✓ Dermatologist visits*
- ✓ Eyeglasses (prescription); vision exams
- ✓ Guide dog or other animal aide
- ✓ Hearing devices and batteries
- ✓ Hospital services
- ✓ Immunizations (including flu shots)
- ✓ Infertility treatments
- ✓ Insulin
- ✓ Laboratory/diagnostic fees
- ✓ Language training for child with dyslexia or disabled child
- ✓ Laser eye surgery
- ✓ Learning disability
- ✓ Massage therapy (medical necessity)*
- ✓ Norplant insertion or removal
- ✓ Nursing services
- ✓ Nutritionist's expenses (medical necessity)
- ✓ Occlusal guards to prevent teeth grinding
- ✓ Orthodontia
- ✓ Over-the-counter drugs (require a prescription)*
- ✓ Oxygen
- ✓ Pap smears
- ✓ Physical therapy
- ✓ Prescription drugs
- ✓ Prosthesis
- ✓ Psychiatric care
- ✓ Psychologist
- ✓ Radial keratotomy
- ✓ Reading glasses
- ✓ Smoking cessation programs
- ✓ Sterilization
- ✓ TMJ related treatments
- ✓ Transplants
- ✓ Travel expenses related to medical care only
- ✓ Wheelchair
- ✓ Wigs (medical reasons only)
- ✓ X-ray fees

Ineligible Expenses

- ✓ Burial expenses
- ✓ Cosmetic procedures (unless necessary to improve a deformity arising from congenital abnormality, personal injury from an accident or trauma, or a disfiguring disease)
- ✓ Dancing lessons
- ✓ Diapers or diaper service
- ✓ Ear piercing
- ✓ Electrolysis (see cosmetic procedures)
- ✓ Exercise equipment, unless prescribed for a specific medical condition
- ✓ Face lifts (see cosmetic procedures)
- ✓ Fitness programs for general health
- ✓ Funeral expenses
- ✓ Hair transplant (see cosmetic procedures)
- ✓ Health club dues
- ✓ Holistic or natural remedies
- ✓ Illegal operations and treatments
- ✓ Items paid or payable by insurance
- ✓ Items you intend to claim as a credit for income tax purposes
- ✓ Marriage counseling
- ✓ Maternity clothes
- ✓ Non-prescription sunglasses (sunclips)
- ✓ Nursing care for a normal, healthy baby
- ✓ Nutritional supplements (general good health)
- ✓ Overnight camp (Dependent Care)
- ✓ Premiums for group health coverage maintained through spouse's employer or individual insurance premiums
- ✓ Rogaine (see cosmetic procedures)
- ✓ Safety glasses (unless prescription)
- ✓ Swimming lessons
- ✓ Tanning salons and equipment
- ✓ Teeth whitening or bleaching (even if as a result of a congenital defect)
- ✓ Vision discount programs or warranty charges
- ✓ Vitamins (over-the-counter)
- ✓ Warranties for eyeglasses and/or hearing aids
- ✓ Weight loss programs and drugs (unless a medical necessity exists for a specific medical condition)

* Items are eligible for reimbursement through a Health Care FSA if they are treating a current or imminent medical condition. Some items may require additional documentation such as a letter of medical necessity or a prescription (for over-the-counter medications) from your medical provider. Please visit www.asiflex.com for more detailed information and a more comprehensive list of eligible expenses.