

Benefits Briefing

HEALTH CARE REIMBURSEMENT ACCOUNT

Harrisburg School District of PA gives employees the opportunity to participate in comprehensive medical and dental plans. However, as with any plan, there are many expenses that are not covered or only partially covered – such as deductibles, coinsurance, physicals, vision care and orthodontia. The District is offering a new **Health Care Reimbursement Account** (HCRA) designed to allow you to take advantage of current tax laws (IRC Section 125) and pay for these expenses with **before-tax dollars**.

How it Works

You may deposit up to \$5,000 annually into an account, on a before-tax basis, to pay for unreimbursed medical, dental, vision and hearing expenses. Your election comes out equally from each paycheck issued in the Plan Year. Your HCRA can be used to reimburse yourself for expenses incurred by you or your dependents regardless of whether you participate in any of the District's medical or dental plans.

When you or your dependent incur an eligible expense, simply use your HCRA debit card, e-file your claim on-line via Tri-Star's secure web server or complete a claim form available on Tri-Star's website (www.tri-starsystems.com), attach proof of service (insurance explanation of benefits – EOB or copy of a bill for service not covered by insurance) and file it with Tri-Star Benefit Systems, Inc. Tri-Star will issue payments every Friday.

You may have your money direct deposited to your checking or savings account to receive money in your account within 48 hours of our processing date. Once you receive your welcome letter from Tri-Star, you can Login to your account and set up direct deposit and email on Tri-Star's website, www.tri-starsystems.com. ***If paid by check or a paper notice is mailed, \$1 will be withheld from each payment. Checks will be mailed directly to your home. This \$1 is in addition to the \$18 annual fee (plus \$6 debit card fee, if applicable) that may be collected from each participant at the start of the Plan Year. Participants in both the Health Care & Dependent Care FSA are not double charged the annual \$18 fee.***

The full amount you elect to deposit in your HCRA for the year is available to you at any time after January 1, 2012. Your tax savings can be significant, but maximizing your benefits requires understanding the plan and some planning.

Internal Revenue Code Regulations

Because these accounts give a unique opportunity to reduce your taxes, certain Internal Revenue Code requirements apply:

- Expenses claimed from your account must be incurred during the Plan Year (01/01/2012 – 12/31/2012) and up to the end of the grace period (03/15/2013).
- Money not claimed for the Plan Year will be forfeited. You will have up to three months after the end of the grace period (06/15/2013) to file claims for services incurred during that year and the grace period.
- The amount you contribute to the account must remain the same all year unless you experience a "qualifying change in status event" and make an election change.
- You may not claim any expense reimbursed from this account as an itemized deduction on your tax return.

Estimating Your Expenses

We suggested you review the deductible and coinsurance provisions of your medical and dental plans, and look at your out-of-pocket medical expenses over the past year or two. Then fill out the worksheet on the back of this briefing.

Many expenses like orthodontia payments, drug co-payments and physicals are easily predictable. Others, like eyeglasses and hearing aids may be deferred or accelerated from one plan year to another

depending upon the balance of your account. **But remember-Money not claimed for the plan year, according to law, must be forfeited.**

Refer to IRS Publication 502, Medical and Dental Expenses at <http://www.tri-starsystems.com/site/participant/fsa-tools-expenses-irs-links.aspx> for more details on potential eligible health care expenses.

For a Summary Plan Description for this plan, please go to <http://www.tri-starsystems.com/site/participant/form-download-sitemap.aspx> and view the PSEA FSA SPD.

Health Care Reimbursement Account Worksheet

Estimate Your Eligible Expenses – Below is a partial list of eligible expenses to help you estimate your annual out-of-pocket healthcare cost:

Expenses Eligible for Reimbursement

- Insurance Deductible \$ _____
- Insurance Co payment \$ _____
- Prescription drug co payments (including birth control)..... \$ _____
- Routine physicals, including gynecological exam \$ _____
- Unreimbursed Dental expenses \$ _____
- Unreimbursed Orthodontia expenses \$ _____
- Unreimbursed Vision expenses \$ _____
- Hearing exams and hearing aids..... \$ _____
- Unreimbursed Chiropractic exams and treatment \$ _____
- Unreimbursed Occupational Therapy..... \$ _____
- Unreimbursed Psychiatric care..... \$ _____
- Special care for handicapped..... \$ _____
- Unreimbursed Therapy for Drug and Alcohol addiction..... \$ _____
- Transportation to receive health care
(including mileage at 23.5 cents per mile effective 07/01/2011) \$ _____
- Special durable medical equipment prescribed
by a physician..... \$ _____
- Other expenses specifically prescribed by a physician
for treatment of a specific diagnosis..... \$ _____
- Total Estimated Eligible Expenses..... \$ _____**

Expenses NOT Eligible for Reimbursement

- **Over-the-counter medicines (effective 1/01/2011)***
- Cosmetic Surgery & Procedures, including teeth bleaching, veneers, face lifts
- Health Club expenses to keep physically fit
- Expenses paid by another health plan
- Long-term care expenses
- Insurance premiums

*For more information regarding the exclusion on OTC medicines, go to <http://www.tri-starsystems.com/site/participant/announcements.aspx>.