



# HEALTH CARE SPENDING ACCOUNT



## Summary Plan Description

## HEALTH CARE SPENDING ACCOUNT

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We enhanced our benefits program to include a valuable feature that offers you significant tax advantages: a Health Care Spending Account.

The Health Care Spending Account allows you to pay for eligible non-reimbursed health care expenses with pre-tax dollars.<sup>1</sup>

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### THE HEALTH CARE SPENDING ACCOUNT

Health Care Spending Account contributions are taken directly from your pay before federal, most state and city income and social security taxes are deducted. This reduces your taxes because your gross income upon which these taxes are based will be lower.<sup>1</sup> When you incur eligible health care expenses not covered by your benefit plans, you are reimbursed from your Health Care Spending Account with tax-free dollars.

### HOW THE TAX SAVINGS WORK

Let's assume you are the sole wage earner in your family and will earn \$35,000 next year. You expect to spend \$2,650\* for your child's orthodontic work. The following illustration shows how a Health Care Spending Account saves on taxes and actually increases your spendable income.

\* Subject to adjustment in future years.

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<sup>1</sup> In New Jersey and Pennsylvania, you owe state and local taxes on your Health Care Spending Account contribution.

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## HOW THE TAX SAVINGS WORK

	Without Health Care Spending Account	With Health Care Spending Account
Annual Salary	\$35,000	\$35,000
Health Care Expenses (paid through the Health Care Spending Account)	-----	(\$2,500*)
Adjusted Gross Income	\$35,000	\$32,500
Taxes @ 30%	(\$10,500)	(\$9,750)
After-Tax Income	\$24,500	\$22,750
Less Health Care Expenses Not Yet Paid	(\$3,000)	-----
Spendable Income	\$21,500	\$22,750

**This example is only an estimate and does not include any state or local taxes, or other income deductions.**

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In this example, your spendable income after taxes and health care expenses is \$1,250 higher if you use the Health Care Spending Account.

\* Subject to adjustment in future years.

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## HOW MUCH YOU CAN CONTRIBUTE

Each plan year, January 1<sup>st</sup> to December 31<sup>st</sup>, you may elect to contribute up to \$2,650 to your Health Care Spending Account. This amount is deducted over 24 pay periods from your pay check throughout the entire year. The minimum amount you can contribute to the Health Care Spending Account is \$200 per plan year, also deducted over 24 pay periods throughout the year. The maximum amount is pro-rated for those hired after January 1<sup>st</sup>.

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## ELIGIBLE EXPENSES

The Health Care Spending Account is for medical, dental and other eligible health care expenses which are not reimbursed by any other health care plan. In general, any health care expense that qualifies as a deduction on your federal income tax return is considered eligible for reimbursement from your Health Care Spending Account.

The list below shows some common eligible Health Care Spending Account expenses:

- Your share of expenses, such as co-payments and deductibles, if applicable, under your benefit plans or any other health care plan in which you have coverage, including your spouse's medical plan;
- Vision care expenses, such as eye exams, eyeglasses, or contact lenses;
- Hearing exams and hearing aids;
- Dental care expenses; and
- Any other expense which would qualify as a medical deduction on you tax return (also see "Ineligible Expenses" below).

Effective January 1, 2011, you are allowed pre-tax reimbursement of eligible expenses for a child up through age 26. Please note the legislation specifically states that the **child cannot attain age 27 prior to the end of the tax year in which the expenses are being reimbursed**. It is the participant's responsibility to ensure that they are filing claims only for eligible dependents and they assume liability for this representation.

A complete list is available from the IRS (Publication 501).

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## INELIGIBLE EXPENSES

If your medical expenses exceed 7½ % of your adjusted gross income, the government allows you to take a tax deduction for these expenses on your tax return. However, if you are reimbursed for an expense through the Health Care Spending Account, you may not claim the same expense as a deduction on your income tax return. **In other words, for any given expense you can use only one tax-saving method (the Health Care Spending Account or the deduction on your tax return if allowable) but not both.**

Some examples of expenses not eligible for reimbursement through the Health Care Spending Account include non-medically supervised programs to stop smoking or lose weight, non-medically necessary cosmetic surgery, non-prescription sunglasses, premiums for other medical plans, and donations to voluntary health care services.

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## **HOW TO ENROLL IN THE HEALTH CARE SPENDING ACCOUNT**

To enroll in the Health Care Spending Account, simply fill out an enrollment form indicating how much of your salary you'd like to contribute to the Health Care Spending Account for the plan year, January 1<sup>st</sup> through December 31<sup>st</sup>. For those hired after January 1<sup>st</sup>, you have 30 days from your hire date to make your enrollment election. Your enrollment will be effective as of the next available 1<sup>st</sup> of the month following your enrollment election. Your election is only effective for one year. Each year you will be required to make an election for the following year.

The worksheet at the end of this brochure will help you estimate your expenses. Your minimum and maximum contribution amounts are \$200 and \$2,650 respectively as described in the "How Much You Can Contribute" section on page 2.

When estimating your expenses, keep in mind that there are certain predictable expenses that you may wish to consider. For example:

- Annual check-ups for you and your family
- Plan's deductible and Co-payments each year
- Other unreimbursed eligible health care expenses

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## **HOW TO FILE A CLAIM**

When you incur a health care expense, you first pay for the service or product. Then you file a claim for reimbursement from the Health Care Spending Account. Claim forms are available in the Office of Human Resources or can be found on our website: <http://administration.adelphi.edu/hr/>.

## **INCLUDE THE PROPER DOCUMENTATION**

When filing a claim, be sure to include the proper documentation:

- For expenses not covered under any benefit plan, include an itemized bill or receipt.
- For expenses covered only partially by a benefit plan or not reimbursed by a plan because you have not met the deductible include the "EOB" (Explanation of Benefits) form. This form verifies the amount that was not reimbursed by your plan. If you and your spouse are covered under different medical plans, you must submit the EOB forms from both plans.

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## **ABOUT REIMBURSEMENTS**

Reimbursement checks will be made out in your name; checks may not be made out to a provider, such as a doctor, hospital, etc.

At any time during the plan year, you may receive reimbursement for eligible expenses up to the full amount you elected to contribute for the year, even if your claim is more than your current balance.

### **Reimbursement Deadline**

**Under a rule, adopted January 1, 2006, Health Care Spending account participants are granted a 2 and ½ month grace period immediately following the end of the plan year to incur expenses in order to utilize unused balances as of December 31<sup>st</sup>. This means participants will have until March 15<sup>th</sup> of the following year to use the benefits of contributions for the plan before those amounts are forfeited under the use-it-or-lose-it rule. You must be a participant in the plan through the end of the current plan year to be eligible to use the 2 and 1/2 month grace period in the following year. Claims incurred during the plan year and during the grace period can be submitted up until the run out period of March 31<sup>st</sup>.**

### **If You Terminate Employment**

If you are participating in a Health Care Spending Account (HCSA) at the time of termination, all contributions to your spending account will cease. You will be entitled to submit claims for eligible expenses you incurred up to the date of termination. You will have 60 days from your termination date to submit claims for expenses incurred prior to the termination date.

If you are participating in a Health Care Spending Account (HCSA) at the time of termination, you may elect to continue to participate in the HCSA under the Consolidated Omnibus Reconciliation Act (COBRA) for the current plan year. If you elect to continue to participate, you will make your contributions to the plan on an after-tax basis with a separate check payable to Adelphi University each month which will allow you to submit claims for eligible expenses you incur during the remainder of the plan year.

You may elect to fund the balance of your annual contribution with your last paycheck. This option allows you to fund your entire HCSA contribution on a pre-tax basis. You may then submit eligible expenses incurred up to December 31<sup>st</sup> of the year of termination.

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## **SPECIAL LIMITATIONS**

The IRS imposes certain restrictions upon the Health Care Spending Account which are outlined in this section.

### **“Use It or Lose It”**

The IRS requires that any money remaining in your Health Care Spending Account at the end of the plan year (December 31<sup>st</sup>) and not used during the 2 and 1/2 month grace period will be forfeited unless applied to eligible expenses for that given plan year by March 31<sup>st</sup>. In other words, if you do not use this money you will lose it. If you have no claims to submit, any monies that you have contributed will be forfeited. Therefore, it is important to estimate your Health Care Spending Account expenses carefully. The worksheet at the end of this brochure will help you do this.

Each November, you are required to make a new contribution election for the next plan year. The IRS requires that the amount you choose to contribute to your Health Care Spending Account, if any, cannot be changed during the plan year unless you have a family status change. In addition, any change in election must be consistent with your family status change. Some of the changes in family status include the following:

- Marriage or divorce;
- Birth or adoption of a child;
- Death of a dependent or a spouse;
- A child ceases to be an eligible dependent under the Plan;
- The beginning or ending of your spouse’s employment;
- A change from full-time to part-time employment, or vice versa, for you or your spouse which results in a significant change in insurance coverage; and
- An unpaid leave of absence taken by you or your spouse.

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## **ELIGIBLE EXPENSES**

Only expenses for services that you incur during the plan year while you are an active participant are eligible for reimbursement from your Health Care Spending Account. This means that for each year you participate in the Health Care Spending Account, you can use the Health Care Spending Account to pay for services incurred **during** that plan year (see new 2 and 1/2 month grace period). As explained in "Reimbursement Deadline" on page 5, you have until March 31<sup>st</sup> of the following plan year to send in claims for your Health Care Spending Account expenses (see "If You Terminate Employment").

Effective January 1, 2011, new legislation impacts the eligibility of over the counter (OTC) items. The requirements for reimbursement of OTC medicines and drugs have changed. For expenses incurred on or after January 1, 2011, **all OTC medicines and drugs (other than insulin) must be prescribed by an authorized healthcare provider** to be eligible for reimbursement from the HCSA. Prescriptions for OTC medicines and drugs must meet the same requirements as any prescription medicine or drug for the state in which the expense is incurred.

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## **SOCIAL SECURITY MIGHT BE AFFECTED**

Since you do not pay Social Security taxes on your Health Care Spending Account contributions, your future Social Security benefit could be slightly reduced. Although this reduction will usually be quite small, it could occur if your taxable salary falls below the Social Security wage base (\$106,800). However, the immediate tax benefit of the Health Care Spending Account usually exceeds the small loss of future Social Security benefits.

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This brochure highlights your benefits. Although every effort has been made to ensure the accuracy of the information described here, if there is any conflict between this brochure and the Plan documents, the Plan documents will govern.

*If you have any questions about the benefits discussed in this brochure please contact the WageWorks Flexible Spending Account Information Line at 1-888-557-3156.*



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## YOUR HEALTH CARE SPENDING ACCOUNT WORKSHEET

This worksheet will help you estimate your qualified health care expenses for the plan year. Because of the “use it or lose it” rule, you may want to be conservative in your estimates. Below are some of the areas of expenses you should consider when making your estimates.

Possible Health Care Expenses For The Year	Your Estimate
Deductibles or co-payments under your benefit plans or under your spouse’s plans	\$ _____
Dental Expenses	\$ _____
Vision care expenses	\$ _____
Medical equipment and supplies	\$ _____
Professional Services	\$ _____
Medical Treatment, such as acupuncture not covered by your health plan, healing services, etc.	\$ _____
Other HCSA eligible medical bills not covered by your medical plan	\$ _____
<b>TOTAL</b>	<b>\$ _____</b>

**REMEMBER, IF YOU DO NOT SPEND (I.E. INCUR CLAIMS) EQUIVALENT TO THE ENTIRE AMOUNT OF YOUR HEALTH CARE SPENDING ACCOUNT CONTRIBUTION BY YEAR-END, YOU WILL FORFEIT ANY REMAINING BALANCE IN YOUR HEALTH CARE SPENDING ACCOUNT.**

Please note: If you plan to be reimbursed for eligible health care expenses through the Health Care Spending Account, you may not claim the same expenses on your income taxes as an itemized deduction.

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**Name of Plan:** Adelphi University Health Care Spending Account Plan

**Participants:** All full-time employees are eligible to participate in the Health Care Spending Account

**Name and Address of Employer:** Adelphi University  
1 South Avenue  
Levermore Hall Rm 203  
Garden City, NY 11530

**Employer Tax Identification Number:** 11-1630741

**Plan Number:** 507 Health Care Spending Account

**Plan Year:** January 1 to December 31

**Funding of Plans:** Adelphi University's Healthcare Spending Account is funded by employee pre-tax contributions

**Plan Administrator:** Adelphi University

**Claims Administrator:** WageWorks FSA Services  
2575 Westside Parkway Suite 500  
Alpharetta, GA 30004-3852  
  
FSA Reimbursement Account Information Line: 1-888-557-3156

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## ERISA RIGHTS

As a participant in this Plan, you are entitled to certain rights and protection under ERISA. ERISA provides that all plan participants shall be entitled to:

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as work sites, all Plan documents, including insurance contracts and copies of documents filed by the Plan with the U.S Department of Labor, such as detailed annual reports and Plan descriptions.
- Obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator. The Administrator may make a reasonable charge for the copies.

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called fiduciaries, of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your employer, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA. You should note, however, that your employment may be terminated for other reasons prior to your being entitled to Plan benefits.

If your claim for a benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the Plan review and reconsider your claim.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from a Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$100 a day until you receive those materials unless the materials were not sent because of reasons beyond the control of the Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the Plan fiduciaries misuse a Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay the court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees if it finds that your claim is frivolous. If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or your rights under ERISA, you should contact the nearest Area Office of the U.S. Labor-Management Services Administration, Department of Labor.