

## Frequently Asked Questions Spending Accounts and Waiving County Medical Coverage 2020

Q. I'm waiving my medical election for unspecified reasons or due to being enrolled in Tricare, Veterans, Medicare/Medi-Cal, Covered California, or another Individual Plan and have been informed that I may forfeit most of my excess Flex Credits. Why?

A. The IRS generally limits employer contributions into a Healthcare Flexible Spending Account (HCFSA) to \$500. The County of San Diego is allowed to put up to \$500 annually of excess Flex Credits into an HCFSA.

Q. I've heard that the County can put money into a Health Reimbursement Account (HRA). Why can't you put my excess Flex Credits in an HRA?

A. The IRS does not allow employer contributions into an HRA if you are enrolled in a government sponsored program, such as Tricare, Medicare, or an individually purchased plan through the State Exchange or another provider, not associated with an employer.

Q. What about Dependent Daycare or a Health Savings Account (HSA)? Are those impacted?

A. You may still divert excess Flex Credits into a Dependent Daycare account, per IRS rules.

Please Note: If enrolled in a High Deductible Health plan (Group or Individual plan), you may still divert excess Flex Credits into an HSA, per IRS rules.

Q. If I purchase a plan through the County of San Diego, will I receive my Flex Credits?

A. Yes, per IRS limits.

Q. If I opt into a County plan, my excess Flex Credits may go into an HRA? How does an HRA work?

A. Only employer money will go into an HRA. The HRA may be used for eligible medical

expenses, per IRS guidelines, and mirrors the Healthcare Flexible Spending Account in plan design.

Q. What expenses are covered under an HRA?

A. Only eligible expenses can be reimbursed under your HRA. These expenses are defined by IRS rules.

Eligible expenses are those that you pay for medical care that's provided to you, your spouse, and eligible dependents. Generally, IRS rules state that medical care includes items and services that are meant to diagnose, cure, mitigate, treat, or prevent illness or disease. Transportation that is primarily for medical care is also included. Here are some examples:

- Your health plan deductible (the amount you pay before your plan starts paying a share of your costs)
- Your share of the cost for doctor's office visits and prescription drugs
- Your share of the cost for eligible dental care, including exams, X-rays, and cleanings
- Your share of the cost for eligible vision care, including exams, eyeglasses, contact lenses, and laser eye surgery

Q. Are over-the-counter (OTC) medicines eligible expenses for reimbursement from an HRA?

A. OTC medicines require a prescription to be an eligible HRA expense. IRS rules changed on January 1, 2011 because of health care reform legislation. The rules state that OTC medicines and drugs are no longer eligible for reimbursement under an HRA unless prescribed by a doctor (or another person who can issue a prescription) in the state where you purchase the OTC medicines.

Any claim you submit for reimbursement that has an OTC medicine expense must include a Request for Reimbursement Form and one of the following types of supporting documentation:

- A written or electronic OTC prescription along with an itemized cash register receipt that includes the merchant name, name of the OTC medicine or drug, purchase date, and amount
- A printed pharmacy statement or receipt from a pharmacy that includes the patient's name, the Rx number, the date the prescription was filled, and the amount

Allergy medication, aspirin and pain relievers, as well as first aid creams and ointments are examples of OTC medicines that require a prescription.

Please Note: Prescription medicines and insulin (including over-the-counter insulin) aren't affected by this change. You can follow the same process when buying these items and submitting claims.

Q. What expenses are not covered under an HRA?

A. Expenses that are not approved are called "ineligible expenses." The expenses that are ineligible under a Health FSA tend to be ineligible under an HRA, including:

- Cosmetic surgery and procedures, including teeth whitening
- Herbs, vitamins, and supplements used for general health
- OTC medicines that you don't have a prescription for (except insulin)
- Family or marriage counseling
- Personal use items such as toothpaste, shaving cream, and makeup
- Prescription drugs imported from another country
- Expenses that are reimbursed by another plan or program, including a health care plan
- Any other item or service that isn't used for medical care as defined by IRS rules

These are only a few of the examples of expenses that aren't covered by an HRA.

Q. Do I need to use the entire benefit amount during the coverage period?

A. An HRA balance cannot be cashed out, rolled over into another plan, or used for any purpose other than reimbursement of eligible medical expenses. A maximum of \$500 (combined total from HCFSA and HRA) may be rolled at the end of the plan year, following a run-out period.

HCFSA money will be rolled over first, to a maximum of \$500. Any funds remaining in the HRA may be rolled over, to a maximum of \$500. For example, at the end of the plan year, you have a total of \$400 in an HCFSA and a total of \$300 in your HRA. After the run-out period, the \$400 from your HCFSA will roll over and \$100 from your HRA will rollover, for a combined total of \$500. The remaining balance of \$200 in your HRA will be forfeited. The account(s) must be in active status as of 12/31 in order to be eligible for rollover.