Office of Employee Benefits Administrative Manual	**UT FLEX PROGRAM**	**570**
	INITIAL EFFECTIVE DATE: September 1, 2003	
	LATEST REVISION DATE: September 1, 2017	
	PURPOSE: To provide information about the pre-tax medical expense and dependent day care reimbursement accounts	
	SCOPE: Employees of The University of Texas System	
	STATUTORY AND ADMINISTRATIVE REFERENCES: Texas Insurance Code, Chapter 1601 H.R. 6081 (HEART ACT)	

1.0 BACKGROUND

The UT FLEX program is a flexible spending plan that allows eligible Employees of The University of Texas System (System) to purchase certain benefits on a pre-tax basis. The UT FLEX plan qualifies as a "cafeteria plan" under the provisions of Section 125 of the Internal Revenue Code.

The UT FLEX plan has three components:

- Insurance Premium Redirection Plan
- Health Care Reimbursement Account
- Dependent Day Care Reimbursement Account

Important: This policy should only be used as a guide for determining what constitutes an eligible UT FLEX Health Care Reimbursement Account or Dependent Day Care Reimbursement Account expense, not for when these expenses are eligible for reimbursement. The Internal Revenue Code specifically requires that eligible expenses will only be reimbursable if incurred within a benefit plan year as defined by the System.

2.0 INSURANCE PREMIUM REDIRECTION PLAN

2.1 Eligibility

Participation in the Insurance Premium Redirection Plan allows pre-tax premium redirection of a portion of an Employee's salary toward payment of the Employee's share of premiums for Program plan coverage, thus decreasing the actual cost of the benefits for the Employee. Any Employee participating in the Employee Group Insurance Program (Program) is automatically enrolled in the Insurance Premium Redirection Plan.

When an Employee enrolls in one of the eligible plans that require payment of premiums out-of-pocket, the premium will be <u>automatically</u> redirected. When premiums increase or decrease, the amount of an Employee's salary reduction will be adjusted automatically through premium redirection. An Employee must execute a salary conversion agreement upon enrollment into an optional coverage or plan to allow premium redirection to occur.

An Employee is not required to execute a new agreement at the beginning of each plan year to continue participation in the Insurance Premium Redirection Plan.

2.2 Eligible Benefit Plans

The benefit plans for which premiums can be paid through the Insurance Premium Redirection Plan are:

- Health (Employee and Dependents)
- Dental (Employee and Dependents)
- Vision (Employee and Dependents)
- Accidental Death and Dismemberment (Employee and Dependents)

Note:
Premiums for Voluntary Group Term Life, Short Term Disability (STD), and Long Term Disability (LTD) coverage may only be paid on a post-tax basis.

3.0 HEALTH CARE REIMBURSEMENT ACCOUNT (HCRA)

3.1 Eligibility

All benefits eligible Employees may contribute to the HCRA. Retired Employees, including Return-to-work Retired Employees, are not eligible to participate in the HCRA.

The HCRA plan allows the Employee to be reimbursed for any eligible out-of-pocket expense incurred for the Employee, spouse, or any person claimed as the Employee's dependent for federal tax purposes. The individual does not have to be covered by any Program benefit plan.

Enrollment options are described in Section 5.0 of this policy.

3.2 HCRA Administrative Fee

There is an annual administrative fee for enrollment in the Health Care Reimbursement Account (HCRA). The administrative fee is paid by the Plan on behalf of participants.

3.3 HCRA Debit Card

Participants in the HCRA are issued a Debit Card that may be used to pay for qualified medical expenses using HCRA funds. There is an annual fee for this card that is paid on behalf of the participants.

3.4 Eligible Expenses

Certain out-of-pocket expenses for medical, dental and vision care incurred during a plan year (September 1 – August 31) are eligible for reimbursement from the HCRA, if the expenses have not been paid by another benefit plan. For a list of eligible expenses, see the UT FLEX benefit plan booklet on the OEB website at http://www.utsystem.edu/offices/employee-benefits/forms-and-publications .

Any amount reimbursed to an Employee from an HCRA cannot be claimed as a medical expense deduction on the Employee's federal income tax return. The System or the

Institution Benefit Office should not advise Employees about tax issues. Employees with questions regarding the tax consequences of their HCRA should consult their tax advisor prior to enrollment.

3.5 Ineligible Expenses

Expenses that are not eligible for reimbursement or remain unsubstantiated are considered "ineligible expenses." A Debit Card payment made for an ineligible expense will be recaptured from future claim payments following notification to the participant detailing the unsubstantiated expense.

Note: The Carrier's Explanation of Benefits statement will confirm the deduction of Overpayment amounts for the participant.

3.6 Allowable Deduction Amounts

3.6.1 Minimum Deduction

An HCRA participant is required to redirect a minimum of $180 per plan year.

1.6.2 Maximum Deduction

An Employee who enrolls in the HCRA effective September 1 may redirect a maximum of $2,600 for the 2017-2018 plan year. The annual maximum election may be adjusted each plan year depending on federal guidelines and applies to an Employee regardless of their federal income tax filing status.

For a new Employee hired during the plan year, the election amount cannot exceed the annual maximum election. See Policy 571 of this Administrative Manual for details.

3.7 Distributions to Employees Due to Active Military Duty

Employees enrolled in an HCRA who are on leave without pay status due to active military duty of 180 days or more, or for an indefinite period, may elect to request a refund of any unused HCRA funds while on leave without due to active military duty pursuant to the Heroes Earnings Assistance & Relief Tax Act of 2008 (The Heart Act). The application for the distribution must be made after the order to active duty is issued and before the last day of the Plan Year including any Grace Period in which the order was issued. A copy of the order to active duty must be provided along with the application. Such an Employee may cease contributions of any additional HCRA election for the Plan Year and receive a refund of all contributions made to the HCRA during the Plan Year minus any reimbursements paid to the Employee. The refunded amount will be reported as taxable income to the Employee. For more information about qualification for military leave, see Policy 320 of this manual.

4.0 DEPENDENT DAY CARE REIMBURSEMENT ACCOUNT (DCRA)

4.1 Eligibility

Employees who are eligible to participate in a Program plan may contribute to the DCRA. Retired Employees, including Return-to-work Retired Employees, are <u>not</u> eligible to participate in the DCRA.

For DCRA purposes, an eligible Dependent must be claimed as a Dependent on the Employee's federal income tax return; <u>and</u>

- the Employee's dependent child who is under the age of 13; or
- the Employee's spouse who is physically or mentally incapable of caring for himself/herself; or
- the Employee's dependent of any age who is physically or mentally unable to care for himself/herself.

Note: The definition of an eligible dependent for the DCRA may not be the same as an eligible Dependent for the Program.

Enrollment options are described in Section 5.0 of this policy.

4.2 DCRA Administrative Fee

There is an annual administrative fee of $12 for enrollment in the Day Care Reimbursement Account (DCRA). The administrative fee is currently paid by the Plan on behalf of the participant.

4.3 Debit Card

A Debit Card is <u>not</u> available for use by Employees who are enrolled in the Dependent Day Care Reimbursement Account (DCRA). **A Debit Card is only available for the HCRA account.**

4.4 Eligible Expenses

Out-of-pocket expenses for dependent day care services that are necessary for the Employee and his/her spouse, if married, to work, to seek employment, or attend school and incurred during the plan year (September 1 – August 31) are eligible for reimbursement from the Employee's DCRA. Examples include child care and adult care services in a home or licensed day care center which are provided by a qualified provider. For a detailed list of eligible DCRA expenses and a definition of a qualified provider, see the UT FLEX benefit plan booklet on the OEB website at http://www.utsystem.edu/offices/employee-benefits/forms-and-publications .

Any amount reimbursed to an Employee from a DCRA cannot be claimed as a deduction on the Employee's federal income tax return. The System or the Institution Benefit Office should not advise Employees about tax issues. Employees with questions regarding the tax consequences of their DCRA should consult their tax advisor prior to enrollment.

4.5 Allowable Deduction Amounts

4.5.1 Minimum Deduction

A DCRA participant is required to redirect a minimum of $180 per plan year.

4.5.2 Maximum Deduction

An Employee who enrolls in the DCRA effective September 1 may redirect a maximum of $5,000 for the plan year (see IMPORTANT note below concerning calendar year deductions). The maximum monthly redirection for an Employee who is paid over a 12-month period is approximately $416. The maximum monthly redirection for an Employee who is paid over a 9-month period is approximately $555. These maximum redirection amounts apply to any Employee who does not file a federal income tax return as married and filing separately.

If an Employee is married and files a separate federal income tax return, the maximum annual deduction will be $2,500, and the maximum monthly deduction will be approximately $208 for a 12-month Employee and approximately $277 for a 9-month Employee.

For a new Employee hired during the plan year, the election amount cannot exceed the maximum monthly deduction, as stated in the previous paragraph, times the number of remaining months in the plan year. See Policy 571 of this Administrative Manual for details.

***Important*: In any given calendar year, an individual's annual dependent care deductions cannot exceed $5,000 for the calendar year for federal income tax filing purposes. If the Employee is married and files a separate tax return, the maximum calendar year deduction is $2,500.**

It is the responsibility of each Employee who elects to participate in the DCRA to ensure compliance their own compliance with this and all other federal tax law requirements. Neither the System nor a System institution can track calendar year DCRA contributions for an Employee.

5.0 ENROLLMENT

5.1 Employees

Employees are eligible to enroll in and contribute to a UT FLEX reimbursement account:

- During their initial 31 days of employment;
- If they have a qualified Change in Status event; or
- During the Annual Enrollment period.

5.1.1 During First 31 Days of Employment

A new Employee may enroll in the HCRA and/or the DCRA account during the first 31 days of employment. If the newly benefits-eligible Employee completes the enrollment form by no later than the last day of the month of hire, the Employee must determine the effective date of coverage for the UT FLEX program to be either:

(a) the first day of active employment; or
(b) the first of the month following the first day of active employment.

However, if the newly benefits-eligible Employee completes the enrollment form within 31 days of employment but after the month of hire, the Employee must determine the effective date of coverage for the UT FLEX program to be either:

(a) the first of the month following the first day of active employment; or
(b) the first of the month following completion of the enrollment form.

There is no required waiting period for the UT FLEX program. Therefore, the effective date for the UT FLEX program will coincide with the effective dates of coverage described above.

5.1.2 After 31st Day of Employment

If the Employee does not enroll in a UT FLEX reimbursement account during the first 31 days of employment, the next opportunity to enroll will be during the next Annual Enrollment period or upon the occurrence of a qualifying Change in Status event during the plan year. The requirements and options available due to a Change in Status event are discussed in detail in Policy 310 of this Administrative Manual.

Although a qualified Change in Status event may occur during the plan year, the effective date of the UT FLEX annual election will not change. See Section 6.0 of this policy for more information.

5.1.3 Annual Enrollment Period

During each Annual Enrollment period, an Employee has the opportunity to re-enroll in the UT FLEX reimbursement plan for the upcoming plan year. All Employees currently enrolled in a UT FLEX account must re-enroll and re-designate the amount of withholding during each Annual Enrollment period. The effective date will be the following September 1.

An Employee who enrolls in the Health Care Reimbursement Account may select the PayFlex Debit Card for the upcoming plan year.

5.2 Return-to-work Retired Employees

In accordance with Texas Insurance Code, Section 1601.101(b), to be eligible for benefits as an Employee, the Employee must be eligible to participate as a member of the Teacher Retirement System of Texas (TRS). Since a Return-to-work Retired Employee is no longer eligible to make TRS contributions, this individual is not eligible to participate in any benefit that is available only to benefits-eligible Employees, including the UT FLEX program.

6.0 CHANGE IN STATUS EVENT DURING PLAN YEAR

A U.T. Employee enrolled in a UT FLEX reimbursement plan who experiences a qualifying Change in Status event during the plan year is eligible to increase or decrease the existing total annual election amount.

Although an Employee may increase or decrease the annual election amount following a qualified Change in Status during the plan year, the effective date of the election will remain unchanged.

If an Employee elects to decrease the annual election amount following a qualified Change in Status event during the plan year, the revised annual election amount cannot require a distribution of any HCRA funds to the Employee. This means the revised election amount cannot be lower than:

- the amount of total reimbursement already paid to the Employee during the Plan Year prior to the status change; <u>or</u>

- the total amount of contributions made by the Employee to the HCRA during the Plan Year prior to the effective date of the status change.

Important: **The Institution Benefits Office is responsible for verifying with OEB that an election change meets these requirements. This will be checked through the OEB Integrated Financial Information System (IFIS) system.**

Example 2: An Employee is enrolled in the HCRA and gets married on May 24th. The Employee increases the annual election amount from $1,200 to $1,500. The effective date remains unchanged from the initial election date. From September through May (9 months), a total of $900 ($100 each month) was withheld. For the final three months of the plan year, a total of $600 ($200 each month) must be withheld to reach the new annual election amount of $1,500.

Example 3: An Employee is enrolled in the HCRA and DCRA with Subscriber and Family medical coverage. The Employee divorces June 15. The Employer is not required by the divorce decree to provide coverage to any dependents. The Employee changes medical coverage to Subscriber Only. The Employee may reduce (or drop) the HCRA annual election amount as long as the sum of the new reduced annual election amount plus the amount of reimbursement previously paid to the Employee is equal to or less than the original annual election amount as well as the total amount of contribution made by the Employee during the plan year prior to the status change. The Employee may also drop the DCRA annual election amount. Any redirection revision due to a change of status must be consistent with the nature of the status change.

Example 4: An Employee is not enrolled in a UT FLEX account. She gives birth to a baby on September 5th and is on paid leave through the end of the month. She begins leave without pay on October 1st and returns to active employment on December 1st. She may elect to participate in the HCRA, effective either the date of the qualifying event (September 5th) or the first of the following month (October 1st). When she returns to work, because this is a new qualifying status change, she may elect to participate in the HCRA and/or DCRA effective December 1st.

Example 5: An Employee is enrolled in a UT FLEX HCRA and is a 9-month employee. During Annual Enrollment, she elects an annual election of $900 to be contributed $100 per month over the 9-month employment period. During the following July, the Employee divorces and requests to reduce her HCRA election to $600. This request is not allowed because the Employee had already contributed $900 as of the date of the event; therefore, her election may not be reduced below this amount. Only future contributions may be reduced following a qualifying event.

7.0 REQUEST TO CHANGE UT FLEX ELECTION DUE TO A CLERICAL ERROR

The only allowable change during a plan year, other than a qualified Change in Status, is to correct a clerical error made during the initial period of eligibility or during the annual enrollment period that resulted in an unintended election. OEB will permit such changes only upon proof of clear and convincing evidence that an election was the result of a clerical error.

Important: The availability of this exception is based on informal guidance from the Internal Revenue Service and is subject to change in the event that contrary guidance regarding this matter is ever issued by the IRS.

7.1 Examples

Example 6: During the Annual Enrollment period, an Employee using the *My UT Benefits* online system elects to contribute $100 a month in the DCRA but has no dependents.

The Employee makes no election to enroll in the HCRA. Since the Employee could not, under any circumstances, make any payments for dependent day care, it is clear that he mistakenly enrolled in the DCRA rather than the HCRA, and the error can be corrected. The Employee may be allowed to correct this error and enroll in the HCRA.

Example 7: A newly hired Employee completes an enrollment form designating a $100 redirection per month into a HCRA; however, the staff person in the institution Benefits Office incorrectly types $200 when entering the redirection amount into the system. If this error can be verified by checking the Employee's enrollment form, the Employee's election can be changed to $100.

Example 8: An Employee is currently enrolled in the HCRA. During the subsequent Annual Enrollment period, she enters the amount of $300 into the *My UT Benefits* online system to continue her HCRA election for the next plan year. When the Employee receives her first paycheck of the new plan year on October 1, she realizes that she mistakenly elected to deduct $300 each month instead of $300 for the entire plan year which was her intent. She requests for her institution payroll office to revise her HCRA deduction to $25 per month. Since the *My UT Benefits* online system clearly asks each Employee to confirm their election, the institution Benefits Office needs to determine if "clear and convincing evidence" exists to support the inference that this election was the result of a clerical error.

7.2 Required Time Limit to Report Clerical Error

An Employee's request for a change in a UT FLEX election will only be considered upon the Employee's submission of "clear and convincing evidence" of the clerical error within 31 days of receipt of the first payroll check that contains the error in the UT FLEX election.

Example 10: In Examples 5 and 6 above, the Employee fails to detect and report the error until January 1. Even though both errors could have been established to be a clerical error, the elections cannot be corrected because they were not reported within the required time limit.

7.3 Request Beyond 31 Days

If an Employee discovers an error in their UT FLEX election and reports the error to their institution Benefits Office more than 31 days after the date of their first paycheck following Annual Enrollment or initial eligibility, the Employee's request to correct the error will not be approved.

8.0 Transfer From One U.T. Institution to Another U.T. Institution

When a U.T. Employee participating in a UT FLEX account transfers from one U.T. institution to another U.T. institution during the plan year, the UT FLEX Plan Administrator does not create separate accounts for each of the institutions. The Plan Administrator can process the participant's account at one (and only one) institution. The two institutions should coordinate a seamless transfer from one institution to another with no break in coverage. See the following example:

Example 11: During Annual Enrollment, a UT FLEX participant at Institution "A" makes a Health Care Reimbursement Account election of $1,200 effective September 1. On October 10th, the participant transfers to Institution "B".

<u>Institution "A"</u>

In September, Institution "A" should send the following UT FLEX data to OEB:

- Monthly Deduction: $100
- Annual Election: $1,200
- Start Date: 9/1
- Term Date: (blank)

Institution "A" may but is not required to send this participant's October UT FLEX data to OEB. However, Institution "A" should <u>not</u> terminate the transferred participant's UT FLEX coverage. Doing so will prevent the participant from making claims while at Institution "B".

<u>Institution "B"</u>

It is the responsibility of Institution "B" to begin to send the participant's UT FLEX data as soon as possible. Beginning with the earliest deduction, assuming Institution "A" did not send an October deduction and Institution "B" is sending an October deduction, Institution "B" <u>should</u> send the participant's data each subsequent month of the plan year as follows:

- Monthly Deduction: $100
- Annual Election: $1,200
- Start Date: 9/1
- Term Date: (blank)

Institution "B" <u>should not</u> send the participant's UT FLEX data to OEB as follows:

- Monthly Deduction: any amount other than $1,200 minus the sum of payments sent from Institution "A", divided by the number of payments anticipated
- Annual Election: any amount other than $1,200
- Start Date: any date other than 9/1
- Term Date: any date other than (blank)

9.0 TERMINATION OF UT FLEX ENROLLMENT

An Employee may terminate participation in a UT FLEX reimbursement account under the following conditions:

9.1 Expiration of the Plan Year

An election of a UT FLEX reimbursement account is valid only through August 31, the last day of the plan year. An Employee enrolled in the HCRA and/or the DCRA who does not complete an Annual Enrollment election to continue participation in the reimbursement account during the next plan year will be terminated from UT FLEX enrollment as of August 31, the last day of the plan year.

Employees enrolled in the HCRA have an additional "grace period" following the end of the plan year to file for reimbursement of eligible expenses during the prior plan year. For details, see Section 10.1 of this policy.

9.2 Leave Without Pay

The HCRA or DCRA of an Employee placed in a Leave Without Pay (LWOP) status is subject to the following conditions:

9.2.1 Health Care Reimbursement Account (HCRA)

Employees on LWOP may continue contributing to the HCRA by writing a check each month directly to the U.T. employing institution. Flex payments made by an Employee on LWOP must be made on an after-tax basis.

If a person chooses to not contribute to their HCRA account during the LWOP period, the individual may elect to begin contributions again upon return to Active Employment within the same plan year. HCRA contributions will again be deducted on a pre-tax basis for the remainder of the plan year.

Changing from an Active Employment status to a benefits eligible Leave Without pay (LWOP) status, or vice versa, is a qualified Change in Status event. An Employee may elect to increase or decrease the annual election amount within 31 days of either beginning LWOP or returning to Active Employment from LWOP status.

Important: **The total contributions for the plan year (including before, during and after LWOP) must always be equal to the annual election amount at the end of the plan year.** When returning from LWOP, the Employee cannot reduce the annual election to an amount that would be less than the amount of HCRA claims filed with the Plan Administrator.

An Employee who returns to Active Employment from LWOP in a different plan year may enroll in a HCRA within 31 days of returning to work.

Example 12: An Employee elects a HCRA annual election amount of $1,200 ($100 per month) for the election period from September 1 through August 31. The Employee goes on LWOP from January 1 through February 28 and elects to participate in the HCRA during this period. The Employee will deliver a check in the amount of $100 for January and $100 for February. Upon return to active employment on March 1, the monthly contribution of $100 will resume from the Employee's paycheck on a pre-tax basis.

Example 13: An Employee elects a HCRA annual election amount of $1,200 ($100 per month) for the election period from September 1 through August 31. The Employee goes on LWOP from January 1 through February 28 and elects not to participate in the HCRA during this period. From September through December, the Employee contributed $400. Upon the Employee's return to work on March 1, he elects not to reduce the annual election amount. Therefore, for the final six months of the plan year, a total of $800 ($133.33 each month) must be withheld to reach the annual election amount of $1,200.

Example 14: An Employee elects a HCRA annual election amount of $1,200 ($100 per month) for the election period from September 1 through August 31. The Employee goes on LWOP from January 1 through February 28 and elects not to participate in the HCRA during this period. From September through December, the Employee contributed $400. Upon the Employee's return to work on March 1, he elects to reduce the annual election amount to $1,000. Therefore, for the final six months of the plan year, a total of $600 ($100 each month) must be withheld to reach the new annual election amount of $1,000.

9.2.2 Dependent Day Care Reimbursement Account

An Employee may not contribute to a DCRA while on LWOP. However, as long as a positive balance exists in the DCRA, an Employee may continue to submit claims and be reimbursed for eligible expenses incurred prior to the beginning date of LWOP. Contributions to the DCRA must resume at the previous election level when the Employee returns from LWOP status within the same plan year.

An Employee who returns to work from LWOP in a different plan year may enroll in a DCRA within 31 days of returning to work.

Important: The Employee's account should be audited by the institution Benefits Office to ensure that the maximum calendar year election of $5,000 is not exceeded.

9.3 Retirement, Termination of Employment, or Cancellation of Coverage

9.3.1 Health Care Reimbursement Account (HCRA)

Employees who retire or terminate employment during the plan year may receive HCRA benefits for charges incurred during their Active Employment period of coverage. The annual election amount will remain unchanged. Coverage will end effective the end of the month of retirement or termination.

For Employees whose UT FLEX coverage is cancelled during the plan year, the election amount will remain unchanged. The effective date of cancellation will be the next September 1.

An Employee who terminates employment with a remaining HCRA balance may continue participation in the HCRA through the remainder of the current plan year if the Employee continues in the Program under the Consolidated Omnibus Budget Reconciliation Act (COBRA). Contributions for an HCRA through COBRA participation must be for the same monthly deduction (plus 2% administrative fee) as the active employment deduction. Any contributions made to the HCRA as a COBRA participant must be submitted to the UT FLEX contracted Plan Administrator on an after-tax basis. The UT FLEX Plan Administrator will charge the participant the COBRA administrative fee of 2% of the monthly contribution.

An Employee continuing to contribute to the HCRA may be reimbursed for claims incurred after the employment termination date through the grace period following the end of the plan year. An Employee that does not elect to continue to contribute after termination of employment can be reimbursed only for eligible claims incurred up to the last day of the month of termination.

Example 15: An Employee has elected to participate in the HCRA with an annual election of $1,200. The Employee contributes the monthly deduction of $100 beginning September through the following June and then terminates employment. The Employee does not elect to continue coverage under COBRA. The Employee's coverage in the HCRA will end as of June 30, and only claims incurred between September 1 and June 30 will be eligible for reimbursement.

The annual election will remain $1,200, and the coverage will cancel effective the next September 1.

Example 16: In Example 14, the Employee made a total contribution of $1,000 ($100 X 10 months) before terminating employment. If the Employee had incurred claims of only $600 between September 1 and June 30, the Employee must continue coverage as a COBRA participant through the end of the plan year in order to be able to be reimbursed the unused $400. The July and August contributions, plus the 2% administrative fee, will be paid by the participant in after-tax dollars. The participant can file for reimbursement of any claims incurred through November 15 (including the 2 ½ month grace period following the end of the plan year). See Section 10.1 of this policy for more information about the grace period.

9.3.2 Dependent Day Care Reimbursement Account

Employees who retire or terminate employment during the plan year may receive DCRA benefits for eligible expenses incurred during their period of coverage even though a claim had not been filed at the time of retirement or termination. However, claims must be received by the UT FLEX Plan Administrator or post-marked on or before the 30th of November following the end of the plan year in which the retirement or termination occurred.

The DCRA is <u>not</u> eligible for continuation benefits under COBRA.

9.3.3 Employee Terminates and Returns to U.T. Employment During Same Plan Year

An Employee who is enrolled in a HCRA terminates employment during the plan year, does not elect COBRA, and then returns to work after the break in coverage at the same or another System institution during the same plan year must elect to enroll in a new HCRA account. The Employee must be treated as a newly benefits eligible Employee for the remaining plan year. The Employee may be separately reimbursed for any timely filed eligible claims incurred during the period (or periods) of employment during the plan year from the Employee's previous account. No claims will be allowed for eligible health care services or purchases made during the months in the plan year when the Employee was not employed at U.T. Only claims incurred by the Employee after the re-hire date may be reimbursed from the Employee's new account.

Example 17: An Employee elects an HCRA annual election amount of $1,200 ($100 per month) for the election period from September 1 through August 31. The Employee terminates U.T. employment effective December 31st and does not elect COBRA. Subsequently, the Employee is re-hired on March 1st and elects to contribute $100 per month to a new HCRA. The Employee's new Annual

Election should be set at $600 as if they were a newly hired Employee starting in March. The Employee can be reimbursed from the initial account for any claims up to $400 for eligible services or purchases made from September 1 – December 31. The Employee can also be reimbursed for claims up to $600 for eligible services or products purchased from March 1st through November 15th (due to the 2 ½ month grace period) from the new account. The Annual Election amount should not be set at $1,000 (the sum of the HCRA deductions during the two employment periods), and no receipts will be honored for services or purchases made from January 1st through February 28th since the individual was not employed by a U.T. institution during that time.

9.4 Death of Employee

9.4.1 Health Care Reimbursement Account (HCRA)

The family of an Employee who dies during the plan year with a remaining HCRA balance may continue making the monthly contributions on behalf of the deceased Employee, on an after-tax basis, as a COBRA participant. The family member is responsible for obtaining the appropriate COBRA enrollment forms from the deceased Employee's employment institution. Once COBRA has been elected, contributions will be made directly by the family member to the UT FLEX Plan COBRA Administrator on an after-tax basis. The surviving family member will then be eligible to receive reimbursement for claims incurred before and after the death of the employee through the remainder of the plan year including any grace period, or the last month a contribution was made, whichever is first

If the family chooses not to contribute after the Employee's death, reimbursement will be limited to eligible charges incurred prior to the Employee's death, even if a balance remains in the HCRA.

9.4.2 Dependent Day Care Reimbursement Account

The family of an Employee who dies during the plan year may continue to submit claims for eligible expenses, as long as the expenses were incurred by the deceased Employee during the plan year in which the death occurred and a positive balance exists in the account.

The DCRA is not eligible for continuation benefits under COBRA.

10.0 Claims Processing

10.1 Use-It-Or-Lose-It Rule

The "use-it-or-lose it" rule is imposed by the IRS on the HCRA and DCRA. Under the rule any annual election contributions not reimbursed to a UT FLEX participant for a plan year is forfeited by the participant.

All eligible HCRA and DCRA claims must be received by the UT FLEX Plan Administrator or post-marked no later than November 30 following the end of the plan year (August 31). Any requests postmarked or received by the Plan Administrator after November 30 will not be eligible for reimbursement.

10.2 Grace Period for Incurring HCRA Claims

HCRA participants have a grace period following the end of the plan year during which unused contributions remaining at the end of the plan year may be reimbursed to them for any qualified HCRA expenses incurred during the grace period. The grace period extends 2 and ½ months beyond the end of the immediately prior plan year. Since the plan year for the UT FLEX program ends on August 31, the grace period extends through November 15.

***Important*: This grace period does not apply to the DCRA.**

During the grace period, unused HCRA contributions are available to the participant only for reimbursement expenses incurred with respect to a HCRA qualified benefit. Unused balances may not be refunded or converted to any other type of benefit.

Any remaining balance in a HCRA participant's account after November 30 will be forfeited under the "use-it-or-lose it" rule, as described in Section 10.1.

Example 18: An Employee has a HCRA with an annual election of $1,200 and a DCRA with an annual election of $2,400. At the end of August, she has incurred eligible medical expenses of $1,400 and eligible dependent day care expenses of $2,200. For the HCRA, the Employee can be reimbursed up to the annual election amount of $1,200. The remaining $200 of eligible medical expenses cannot be transferred to their DCRA to make up for the shortfall in that account.

Example 19: An Employee has an HCRA with an annual election of $1,800 for Plan Year 2005. During Annual Enrollment for Plan Year 2006, the Employee re-enrolls in the HCRA with an annual election of $1,000. As of August 31, 2005, there is $100 unused in the account for Plan Year 2005. During the grace period from September 1 through November 15, 2005, the Employee incurs $300 of qualified medical expenses. The unused $100 is applied to Plan Year 2005 to reimburse the Employee. The remaining $200 is applied to Plan Year 2006 for reimbursement to the Employee.

Example 20: An Employee has an HCRA with an annual election of $1,800 for Plan Year 2005. During Annual Enrollment for Plan Year 2006, the Employee does not re-enroll in the HCRA. As of August 31, 2005, there was $500 that remained unused in the account for Plan Year 2005. During the grace period from September 1 through November 15, 2005, the Employee incurs $300 of qualified medical expenses. The Employee may be reimbursed for the $300 from their HCRA for Plan Year 2005. The remaining $200 is not eligible for reimbursement and will be forfeited by the Employee.

10.3 Claim Forms

UT FLEX claim forms are available at http://www.utsystem.edu/offices/employee-benefits/forms-and-publications on OEB's website.

UT FLEX participants should complete the claim form, following the written instructions on the form. The forms must be submitted directly to the Plan Administrator via mail or fax. UT FLEX participants may also complete an Express Claim (electronic claim) on the Plan Administrator's website at www.payflex.com/utflex. Reimbursement checks will be mailed directly to the participant or deposited into their bank account, based on the participant's reimbursement selection.

10.4 Health Care Reimbursement Account – Funds Availability

HCRA participants may be reimbursed up to the amount of the total annual election, as soon as eligible expenses are incurred, even if contributions do not yet equal the claim amount.

Example 21: An Employee is contributing $100 a month to her HCRA. She incurs an eligible medical expense of $800 in October. She can file a claim to be reimbursed the entire $800, even though only $200 is in her account.

10.5 Dependent Day Care Reimbursement Account – Funds Availability

DCRA participants cannot be reimbursed for any expenses exceeding the current account balance. If a claim is submitted for more than the account balance, the Employee will receive a check for the amount in the account. A check for the remainder will be sent after additional sufficient contributions are made to the account. Due to U.T. processing payroll in arrears, Dependent Day Care Reimbursement Accounts are not funded until the third week of the month; therefore, reimbursement cannot be processed until the funding has been sent to OEB from the institution.

Additionally, reimbursement cannot be issued until after the service is received.

Example 22: An Employee pays for a full month of day care on the first of the month. Reimbursement cannot be issued until the actual service has been incurred; i.e., after each week, biweekly, or after the end of the month, assuming the funds have been received by OEB.

10.6 Unreimbursed Balances

Once reimbursements have been made for all qualified claims received by the UT FLEX Plan Administrator by November 30, any amount remaining in the UT FLEX participant's reimbursement account at the end of the plan year will be forfeited by the participant.