

# 2016

## Flex<sup>flex</sup>Elect<sup>Elect</sup> Handbook

2016 FlexElect Plan Year  
January through December

### Reimbursement

**Accounts** A great way to save money for some of life's important expenses and lower your taxes.

### Cash Option

For employees who have other health/dental coverage.

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**Forms**

Medical Reimbursement Account—Annual Health Care Expenses Worksheet

[STD. 701R Reimbursement Account Enrollment Authorization](#)

[STD. 701C Cash Option Enrollment Authorization](#)

[STD. 702 Consolidated Benefits Cash Option Authorization](#)

# The FlexElect Program

The State of California's FlexElect Program offers two types of employee benefits:

- ✓ Pre-tax reimbursement accounts for out-of-pocket medical and dependent care expenses.
- ✓ Cash Option: Cash in lieu of your state-sponsored health and/or dental benefits.

## Eligible employees may enroll in any FlexElect benefit, or all.

This handbook explains all benefits for the 2016 plan year (January 1-December 31, 2016). Please read it carefully before you make an enrollment decision to be sure you understand the program requirements, including any changes that may have occurred since you received the last handbook.

FlexElect is governed by Federal Internal Revenue Service (IRS) rules based on Internal Revenue Code (IRC) section 125, which can change at any time. If there is any discrepancy between the information in this handbook and IRS rules, the IRS rules are controlling.

## Changes for 2016

- ✓ Cash Option eligibility has changed. See page 14 for more details.
- ✓ Maximum annual enrollment for the Medical Reimbursement Account has increased from \$2,500 to \$2,550. Please see page 7 for more details.

## Open Enrollment Period: September 14-October 9, 2015

If you want to enroll in these benefit programs, or make a change to your current enrollment, contact your personnel office for the necessary forms.

Open Enrollment forms must be signed and submitted to your personnel office no later than October 9, 2015. All open enrollment actions will be effective January 1, 2016.

## Reimbursement Accounts

- ✓ If you are currently enrolled in a FlexElect Reimbursement Account and want to participate again next year, you must re-enroll.
- ✓ If you enroll or re-enroll into a FlexElect Reimbursement Account during open enrollment, you have until December 31, 2015, to cancel or change your election.

## Cash Option

- ✓ If you are currently enrolled in a Cash Option and want to continue next year, you do not need to do anything unless you are a permanent-intermittent employee. If you are a permanent-intermittent employee and you want to continue receiving the Cash Option next year, you must re-enroll.
- ✓ If you enroll or are automatically re-enrolled into the Cash Option, you have until December 31, 2015, to cancel or change your election.

## Mid-Year Enrollments

Your first opportunity to enroll in FlexElect is within 60 days after becoming "newly eligible" for these benefits. You are newly eligible if you meet the following criteria:

- ✓ You are a new state employee.
- ✓ You were on an approved leave of absence during the entire open enrollment period.
- ✓ You experience a change in status that permits you to enroll as newly eligible (see page 17-18).
- ✓ Your tenure/time base changes from one that was ineligible to one that is eligible.

Once your election is made it cannot be cancelled or changed unless you experience another permitting event (even if you are still within the 60-day time period) or until the annual open enrollment period.

## Effective Date of Enrollment

Correctly completed forms received at the State Controller's Office (SCO) by the tenth of the month are effective the first of the following month (except when the tenth is on a weekend or holiday, in which case the November 10, 2016 will be on the next regular workday).

If you are newly eligible, your last possible effective date of participation in the 2016 plan year is December 1, 2016. For your enrollment to be effective December 1, 2016, SCO must receive your enrollment form by November 10, 2016. Forms received after November 10, 2016 will be processed for the 2017 plan year.

If you enroll in FlexElect Reimbursement Account as a newly eligible employee, you may only claim expenses incurred on or after the effective date of your enrollment.

## When Can I Change My Enrollment?

The FlexElect plan year is from January 1 to December 31. You can't change or cancel your enrollment during the plan year unless you experience a change in your status, called a "permitting event." See pages 17-18 for a list of permitting events.

If your change in status results in a concurrent approved leave of absence (e.g., birth of child followed by a maternity leave), you may enroll by the deadlines specified on pages 17-18 after you return to work.

If you increase your deduction amount because of a permitting event during the plan year, you may only claim the increased amount for expenses incurred from the effective date of your change (not the permitting event date) through December 31.

## What is a Reimbursement Account?

A Reimbursement Account allows you to set aside some of your pre-tax wages to pay certain kinds of expenses. FlexElect offers two kinds of Reimbursement Accounts: a medical account and a dependent care account.

A Medical Reimbursement Account reimburses out of pocket health-related expenses for you and your dependents. A Dependent Care Reimbursement Account reimburses dependent care expenses such as day care.

When you enroll in a Reimbursement Account, you designate an amount to be deducted each month from your wages. That money is automatically deposited in your FlexElect account for one plan year. After you receive health-related or dependent care services during that year, you submit a claim for reimbursement from your FlexElect account. A reimbursement check is mailed to you or direct deposited in your bank account.

**Tax advantage:** Money deducted from your paycheck for a Reimbursement Account is not taxable, nor are the reimbursement payments, which lowers the amount of taxes you owe.

## Examples of the Tax Benefits

The examples on page 3 show the monthly tax savings available by enrolling in a Medical or Dependent Care Reimbursement Account. These are only examples. Actual tax savings vary from one individual to another, depending on deduction amount, salary, marital status, exemptions, and participation in other tax advantaged programs such as Savings Plus.

While everyone benefits by participating in the state's Medical Reimbursement Account, some people are better off claiming the dependent care tax credit on their tax return. See page 11 for more information. Before you make a final decision to enroll in a reimbursement account, it is a good idea to check with a tax advisor if you are unsure which option offers you the best tax advantage.

## Examples of the Tax Benefits

<b>Single with two exemptions</b> ((\$200 monthly contribution to a Reimbursement Account)	Your paycheck w/o FlexElect	With FlexElect enrollment	<b>Married with two exemptions</b> ((\$200 monthly contribution to a Reimbursement Account)	Your paycheck w/o FlexElect	With FlexElect enrollment
Gross salary	\$5,000.00	\$5,000.00	Gross salary	\$5,000.00	\$5,000.00
Reimbursement Account election for dependent care or medical expenses	—	200.00	Reimbursement Account election for dependent care or medical expenses	—	200.00
Federal tax	584.90	534.90 ◀	Federal tax	405.63	375.63 ◀
State tax	188.40	170.39 ◀	State tax	71.76	62.96 ◀
Retirement	400.00	400.00	Retirement	400.00	400.00
Social Security	310.00	297.60 ◀	Social Security	310.00	297.60 ◀
Medicare	72.50	69.60 ◀	Medicare	72.50	69.60 ◀
Dependent care or medical expenses*	200.00	—	Dependent care or medical expenses*	200.00	—
FlexElect admin. fee	—	1.00	FlexElect admin. fee	—	1.00
Your take home pay	\$3,244.20	\$3,326.51 ◀	Your take home pay	\$3,540.10	\$3,599.21 ◀
<b>Monthly Tax Savings:</b> \$83.31 (federal \$50.00, state \$18.01, Social Security \$12.40, Medicare \$2.90)			<b>Monthly Tax Savings:</b> \$54.10 (federal \$30.00, state \$8.80, Social Security \$12.40, Medicare \$2.90)		
* Monthly medical or dependent care expense for an employee NOT enrolled in the FlexElect Program.					

### Reimbursement Account Eligibility

You are eligible to enroll in a FlexElect Reimbursement Account if you have a permanent position that is half-time or more. If you are appointed to a limited term (LT) or Temporary Appointment Utilization (TAU) position, you are eligible if you have a mandatory right of return to a permanent position that is half-time or more.

If you are covered by CoBen, you are eligible even if you are in a LT or TAU appointment as long as you meet the eligibility requirements for benefits.

Employees appointed to intermittent positions are **not** eligible to enroll in a Reimbursement Account.

### Grace Period/Extension of Benefits

If your Reimbursement Account is active on December 31, the IRS allows a grace period for payment of medical and dependent care expenses incurred up to two and one half months after the end of the plan year. You may use money deducted in 2016 to pay for medical and dependent care expenses incurred up to **March 15, 2017**.

Claims will be paid in the order which they are received. If you have an account balance in your prior plan year account and submit a claim for service during the grace period, the expense will automatically be paid from your prior plan year's account. To assure that you maximize the use of your accounts for both plan years, it is important that you file claims in the order that your expenses are incurred.

If you experience a permitting event that allows you to cancel your Dependent Care or Medical Reimbursement Account during the plan year, or if you leave state service or retire and do not continue your Medical Reimbursement Account deduction via COBRA, you are not eligible to receive payment for services during the grace period.

### Deadline to Claim Funds

You must submit claims for services provided in 2016 by **June 30, 2017**.

You forfeit any funds remaining in your account after the **June 30, 2017** deadline.

## **Administrative Fee**

If you enroll in a FlexElect Reimbursement Account and/or Cash Option, a \$1.00 fee is deducted from your after-tax salary each month. This fee covers administrative costs of the FlexElect Program.

## **For More Information**

If you need additional information or enrollment forms, check with your personnel office or visit the CalHR website at [www.calhr.ca.gov](http://www.calhr.ca.gov) (select Employees, then Benefits, then Reimbursement Accounts). The CalHR website also includes links to IRS publications that contain more details about

the kinds of expenses you can pay for with a Reimbursement Account.

Application Software Inc. (ASI) is the FlexElect Program's record keeper. ASI processes claims and provides customer service for FlexElect Reimbursement Accounts. If you are already enrolled in a FlexElect Reimbursement Account and have questions, call (800) 659-3035 to speak with a customer service representative. You can also email ASI at [asi@asiflex.com](mailto:asi@asiflex.com), visit their website at [www.asiflex.com](http://www.asiflex.com), or access their 24-hour automated phone system at (800) 366-4827.

# Medical Reimbursement Account

This section explains the kind of expenses you can pay for with a Medical Reimbursement Account and other important rules of the program.

- ✓ **Be sure expenses qualify.** You can only be reimbursed if you or an eligible dependent incur a medical, dental, or vision expense that is reimbursable under the FlexElect Program. An expense is incurred on the date the service is provided, not when it is billed or paid.
- ✓ **Estimate expenses conservatively.** It is better to underestimate costs than overestimate. If you overestimate how much you expect to spend on eligible medical expenses, you'll end up with more money in your account than you can claim for reimbursement.
- ✓ **Meet the deadline for claims.** The deadline to submit claims for expenses incurred in 2016 is June 30, 2017.

## Availability of Funds

Federal law allows you to claim the full annual reimbursement available from your FlexElect Medical Reimbursement Account at any time during the plan year, even if you have not yet made all of your monthly contributions.

## Eligible Dependents

Current federal tax law recognized spouses (opposite sex or same-sex) within the definition of dependent. Federal law does not recognize domestic partners unless he or she otherwise qualifies as a dependent under IRC section 152.

A child is considered your dependent if both the following conditions exist:

- ✓ Under age 27 (for Reimbursement Account purposes only, not health/dental insurance).
- ✓ Your child, stepchild, or adopted or foster child.

There are also special rules defining dependents in cases of multiple support arrangements where no single person provides more than half the dependent's support, children of divorced parents, and persons living outside the United States. Consult a tax advisor for more information.

For an individual other than your spouse and/or dependent children, you may be required to certify in writing that he or she is your dependent according to criteria mentioned above.

## Reimbursable Medical Expenses

You may claim reimbursement for out-of-pocket medical services and/or supplies provided to you, your spouse, and your eligible dependents if the services/supplies are related to the following:

- ✓ The diagnosis, cure, prevention, or treatment of a disease affecting any part or function of the body.
- ✓ Transportation primarily for and essential to this medical care.

If you participated in a Medical Reimbursement Account in the past, you should still review the IRS rules regarding reimbursable expenses. These rules change periodically causing some expenses that once were eligible to become ineligible, and expenses that were ineligible to become eligible.

If you enroll for the 2016 plan year, you can only claim reimbursement for medical services and/or supplies that are provided from the effective date of your enrollment through March 15, 2017, regardless of when you were billed for or paid the expense.

The table on page 6 lists examples of reimbursable expenses. Contact ASI at (800) 659-3035 if you have questions about reimbursable expenses.

Examples of Reimbursable Medical Expenses	
Acupuncture	Lead-based paint removal (only costs associated with removal of lead-based paint)
Alcoholism treatment	
Ambulance service	
Artificial limbs and teeth	Learning disability tuition
Birth control pills	Medical conferences (concerning chronic illness for yourself, spouse, or dependent)
Braille books and magazines	Nursing services
Car (special medical equipment within)	Optometrist fees
Chiropractic care	Orthodontic treatment
Contact lenses	Orthopedic shoes
Contact lens solution	Oxygen equipment
Crutches	Prosthetic devices
Dental fees	Psychiatric care
Dental implants	Psychoanalysis
Diagnostic tests	Smoking-cessation program (with prescription)
Doctors' fees	Special schools for the handicapped
Drug addiction treatment	Surgery
Drugs and medicines treating a medical condition*	Telephone for hearing impairment
Exercise equipment, if prescribed for a specific medical condition	Transplants of organs
Eyeglasses	Transportation for medical care
Eye surgery	Vaccinations
Guide dogs or other animal	Weight Loss Program (if determined by physician to treat a specific illness)
Hearing aids and exams	Wheelchair
Hospital services	Wigs, if prescribed due to loss of hair from disease or treatment
In-patient therapy for mental or nervous disorders	X-ray fees
Insulin	
Lab fees	

\*Unless purchased outside the U.S.

### Letter of Medical Necessity

The IRS requires Medical Reimbursement Account funds to be used for the cure, prevention, or treatment of a disease or condition. The funds cannot be used for general health or cosmetic purposes. When an expense or medication can be deemed as cosmetic, ASI requires that a healthcare provider (doctor, dentist, etc.) define the treatment as prescribed for a specific medical condition.

A Letter of Medical Necessity can be found on the CalHR website at [www.calhr.ca.gov](http://www.calhr.ca.gov) (click on

Employees, then Benefits, and then Reimbursement Accounts). Have your healthcare provider complete the letter and submit this along with the claim to which it refers. In lieu of a Letter of Medical Necessity, ASI will accept a letter from a provider. The letter must be signed and dated by the healthcare provider.

### Related Expenses that are Reimbursable

**Meals and lodging:** The cost of meals and lodging is reimbursable if the expense is incurred while an eligible individual is away from home and receiving health care treatment. Meals are reimbursable only if the expense is incurred in a medical facility.

**Orthodontia:** Initial requests for reimbursement of orthodontic treatment must include a contract or statement from the orthodontist. This documentation must reflect the beginning date of the treatment plan, total cost of treatment, and estimated length of treatment. Reimbursement of the full or initial payment amount may only occur during the plan year in which the braces are first installed. Reimbursements for monthly payments are made on or after the payment is due and paid.

**Prescription drugs:** Requests for reimbursement for prescriptions must include the date the prescription was filled, the prescription number, and the name of the medication. The prescription name is required to allow ASI to identify that the prescription cannot be used for cosmetic purposes. If the prescription is one that is prescribed for cosmetic purposes as well as to treat specific medical conditions, a Letter of Medical Necessity is required.

**Transportation:** You may claim mileage for transportation required for health care. Indicate the number of round trip miles on your reimbursement claim form and your receipt for prescription drugs, doctor's visit, etc. You can also claim parking and/or toll and public transportation expenses if you provide a receipt. Submit claims for transportation expenses at the same time you are filing a claim for the medical expense. The mileage rate for 2016 was not released at the time this publication was prepared. Check CalHR's or ASI's website for current mileage rates.

## **Non-Reimbursable Medical Expenses**

Insurance plan premiums are not reimbursable (even though mentioned in IRS Publication 502). For example, any out-of-pocket premiums for health, dental, long-term care insurance, and life insurance are not reimbursable.

Expenses that only benefit general health are not reimbursable. For example, health club expenses for general good health purposes are not reimbursable.

Expenses that are solely for cosmetic reasons are not reimbursable. For example, dental procedures to whiten or cap teeth and orthodontic procedures primarily cosmetic in nature are not reimbursable.

Facelifts, hair transplants, prescription drugs for hair growth, electrolysis (hair removal), and massage therapy generally are not reimbursable. However, surgery or procedures to alleviate, treat, mitigate, or prevent a medical condition are eligible for reimbursement. Therefore, if you claim reimbursement for something that also could be considered cosmetic, you must submit a Letter of Medical Necessity.

Over-the-Counter (OTC) medicines and drugs (not prescribed by a physician) are not reimbursable. In order to be reimbursed for such items as allergy medications, smoking cessation medications, aspirin, cold medications, vitamins and nutritional supplements, etc., you must have a prescription from a physician.

## **Annual Limits on Medical Reimbursement Account Deductions**

If you enroll in a Medical Reimbursement Account, your contributions must be as follows:

- ✓ At least \$10 per month.
- ✓ No more than \$2,550 per participant per year (\$212.50 per month).

If you enroll mid-year, you may contribute more than \$212.50 per month as long as you don't exceed the \$2,550 annual maximum.

## **Estimating Your Medical Deduction Amount**

To determine a monthly deduction amount that is appropriate for you, it helps to review out-of-pocket medical expenses that you, your spouse, and eligible dependents incurred over the past year on a routine basis and expect to continue incurring in 2016. Be sure you only include reimbursable medical expenses.

Add those costs to any new covered expenses you, your spouse, and eligible dependents expect to incur in 2016. This will give you a rough estimate of your total covered medical expenses for 2016.

To calculate an appropriate monthly deduction, divide that total by the number of months you'll be enrolled. If you enroll during open enrollment, you would divide by 12. If you enroll mid-year as a newly eligible employee, count the number of months from your effective date of enrollment through December 31. Keep in mind the amount you calculate must fall within the annual limits described on the previous page.

### **Worksheet**

We have included a worksheet at the end of this handbook to help you determine your annual health expenses for the 2016 FlexElect plan year.

### **Federal Income Tax Deduction vs. Reimbursement Account**

For most employees with out-of-pocket medical expenses (i.e., the expenses have not been reimbursed and reimbursement will not be sought from any other source), a Reimbursement Account offers a better tax break than claiming a deduction for those expenses on your tax return. That's because federal tax law currently allows you to deduct health care premiums and expenses on your income tax form only if your medical expenses for the year exceed 7.5 percent of your adjusted gross income. You would need to have very high out-of-pocket medical expenses and a low taxable income to reach that 7.5 percent level.

## **Consolidated Omnibus Budget Reconciliation Act (COBRA)**

If you retire, leave state service, take an unpaid leave of absence, or experience a reduction in your work hours to an ineligible time base (i.e., less than half time or intermittent), you can still contribute to your Medical Reimbursement Account through the end of the plan year. To do so, you must enroll in COBRA within 60 days after the date of the COBRA qualifying event. There are no tax savings on contributions you make

under COBRA. Contact your personnel office for more information.

Medical expenses incurred after you leave active pay status are reimbursable only if you continue contributing to your medical account under COBRA. If you choose not to continue your contributions, you may only claim reimbursement for eligible expenses incurred before you left active pay status.

# Dependent Care Reimbursement Account

This section explains the kind of expenses you can pay for with a Dependent Care Reimbursement Account Medical Reimbursement Account and other important rules of the program.

- ✓ **Be sure expenses qualify.** Once funds are deducted from your paycheck and credited to your Dependent Care Reimbursement Account, you can only claim them if you incur an eligible dependent care expense. An expense is incurred on the date the service is provided, not when billed or paid.
- ✓ **Estimate expenses conservatively.** It is better to underestimate costs than overestimate. If you overestimate how much you expect to spend on eligible dependent care expenses, you'll end up with more money in your account than you can claim for reimbursement. Leftover funds cannot be carried over to the following year.
- ✓ **Meet the deadline for claims.** The deadline to submit claims for expenses incurred in 2016 is June 30, 2017.
- ✓ **Payment of claims:** Unlike the Medical Reimbursement Account, funds must be deposited in your account and the service period has to have passed before your Dependent Care Reimbursement Account claims can be paid.

## Reimbursable Dependent Care Expenses

Expenses for child care, elder care, and care for a disabled dependent are reimbursable if the care is necessary for you to work or look for work. If you are married, your spouse must also work, unless he or she is a fulltime student or physically or mentally incapable of caring for himself or herself.

### Child Care

For child care expenses to qualify, your child must be a dependent under the age of 13 when the child care is provided. There is no age limit if your child is disabled. You must be able to claim an

exemption for this child on your federal tax return. However, if you are divorced or separated, your expenses may qualify if you are the custodial parent (have more than 50% custody) even if you can't claim the child's exemption (see IRS Publication 503 for details).

### Elder Care and Disabled Dependent Care

If you plan to use the Dependent Care Reimbursement Account to pay for elder care expenses, you may want to consult a tax advisor to determine if your dependent meets the qualifying dependent rules under Working Families Tax Relief Act of 2004. If the care is for a parent or other dependent who is disabled, that person must live in your home at least 8 hours a day, be unable to care for himself or herself, and be someone you can claim an exemption for on your federal tax return (even if you don't claim the exemption because the person's income exceeds the allowable limit).

A person who's unrelated to you but lives with you and is a member of your household (e.g., domestic partner) may be considered your dependent if you provide over half of his or her support and the person qualifies as a dependent under IRC section 152.

Dependent care services may be provided in your home or someplace else, including family day care homes and day care centers that comply with applicable state and local laws. Day camp expenses qualify as eligible expenses, but overnight camp expenses do not qualify.

To be reimbursable, the care must be provided between the effective date of your enrollment and December 31, 2016.

If you need help determining whether your expenses qualify for reimbursement, contact ASI's customer service center at (800) 659-3035 for assistance. Before you make a final decision to enroll in a reimbursement account, it is a good idea to check with a tax advisor.

## Related Expenses that are Reimbursable

Services required for the maintenance of your household such as cleaning and cooking are eligible for reimbursement if the primary function of the provider of this service is to care for your dependent.

If your child care provider includes other services that are incidental to and can't be separated from the child care expense, the full amount is reimbursable. For example, if your child is enrolled in a nursery school, and the school provides lunch and education along with providing child care, the full amount you pay the school is reimbursable (within the annual limits of a Dependent Care Reimbursement Account).

## Non-Reimbursable Dependent Care Expenses

Dependent care services provided by one of your children who is under the age of 19 at the close of 2016 are not eligible for reimbursement. For example, if you pay your 18-year-old to take care of your 9-year old or a parent, the expense is not reimbursable.

- ✓ Food and clothing costs are not reimbursable.
- ✓ Transportation for your dependent between your home and the place where care is provided is not reimbursable.
- ✓ Medical care is not covered by a dependent care account. Refer to the section on Medical Reimbursement Accounts for coverage of such expenses.
- ✓ School registration fees and expenses for overnight camp and/or camps primarily for educational purposes (e.g. science camp) are not reimbursable.
- ✓ Education expenses for a child in the first grade or higher level are not reimbursable.
- ✓ Kindergarten or higher grade tuition cost may not be reimbursable unless it is incidental to and can't be separated from the cost of care. Since tuition for a child in kindergarten or

higher grade may not be reimbursable, it is important that receipts submitted from your dependent care provider distinguish daycare costs from tuition costs.

## Annual Limits on Dependent Care Deductions

If you enroll in a Dependent Care Reimbursement Account, your contributions must be as follows:

- ✓ At least \$20 per month.
- ✓ No more than \$5,000 per year per household (\$416.66 per month) or \$2,500 for a married individual filing a separate tax return (\$208.33 per month).

If you enroll mid-year, you may contribute more than \$416.66 per month (up to the applicable annual household limit).

If you earn more than \$120,000 in 2015, you are considered a "highly compensated employee" under IRS rules and may be subject to a lower maximum contribution than listed above. The FlexElect Program can't determine your maximum contribution until all enrollment documents have been processed (typically February or March). We will notify you if we determine that you must reduce your contribution amount.

Under no circumstances may your annual contribution exceed the applicable maximum annual contribution, your annual earned income, or your spouse's annual earned income, whichever is less.

If your spouse is a full-time student, or a dependent that is physically or mentally incapable of caring for him or herself, for the purpose of determining your annual contribution your spouse will be considered to have earned income as follows:

- ✓ Not less than \$250 per month, if you only have one dependent for the plan year.
- ✓ Not less than \$500 per month, if you have two or more dependents for the plan year.

## **Estimating Your Dependent Care Deduction Amount**

To determine a monthly deduction amount that is appropriate for you, start by reviewing your dependent care expenses over the past year. Consider factors that may cause the cost to fluctuate such as your child returning to or entering school, reaching age 13, vacations, school breaks, care provider's vacation, etc.

To estimate a monthly contribution, divide your total estimated costs for the year by 12 (if you are enrolling during open enrollment). If you are enrolling mid-year as "newly eligible," divide the total by the number of months you will be enrolled (beginning with the effective date of your enrollment through December 31).

## **When Can I Change My Enrollment?**

Once you enroll in a Reimbursement Account, you can't cancel or change your enrollment during the plan year unless you experience a change in status, called a "permitting event." See pages 17-18 for a list of permitting events.

If you retire or go on an unpaid leave, your payroll deductions for a dependent care account will stop automatically. Unlike a Medical Reimbursement Account, you may not continue contributions to

your Dependent Care Reimbursement Account under COBRA. However, you can submit claims for reimbursement for eligible dependent care expenses that occur after you retire or separate up to the amount deposited in your account for that plan year.

## **Dependent Care Tax Credit vs. Reimbursement Account**

If you have dependent care expenses, you may already be familiar with the dependent care tax credit you can claim on your federal tax return. Depending on your income level, amount of dependent care expenses, and other factors, you may find that a Reimbursement Account provides a lesser tax advantage than claiming the tax credit on your federal tax return. Before enrolling in a Reimbursement Account, consult a tax advisor and/or review IRS Publication 503 if you are not certain which method works best for you. The CalHR website provides a link to IRS Publication 503.

**Filing IRS Form 2441:** If you are enrolled in a Dependent Care Reimbursement Account for 2016, you will need to complete Part 3 of IRS Form 2441 "Child and Dependent Care Expenses" and attach it to your 2016 federal income tax return. If you use Form 1040A, attach Schedule 2 instead.

# How to Claim Reimbursement

This section describes how to claim reimbursement from your account. Medical services, supplies, and/or dependent care expenses must be incurred before you can submit a claim. You also need to provide verification of the expense, described below:

1. Fill out a FlexElect Reimbursement Account Claim Form (CalHR 351). (You'll receive a supply of claim forms in the mail before the plan year starts).

2. Attach documentation as follows:

**Medical Reimbursement Accounts:** If claiming reimbursement from a medical account, attach doctor's statement, itemized bill, evidence of benefits statement, etc. A cancelled check is not acceptable documentation. The statement must have the date of service, type of service, and amount you are responsible for paying.

**Dependent Care Reimbursement Accounts:** If claiming reimbursement from a Dependent Care Reimbursement Account, attach a statement signed by your provider or have your provider sign in the space provided on the claim form. If you attach a statement, it must show the provider's name, beginning and ending dates of the dependent care service that was provided, the amount, and the provider's tax I.D. or Social Security Number.

3. Mail your completed form and required documentation to ASI, the record keeper for FlexElect at the following address:

**ASIflex  
P.O. Box 6044  
Columbia, MO 65205-6044**

You may also fax your claim form and supporting documentation toll-free to ASI at (877) 879-9038 or file a claim online. You may file a claim or view your account balance via ASI's website at [www.asiflex.com](http://www.asiflex.com) using your Flex PIN. Your PIN is a randomly assigned alpha numeric identifier that will be included with your first quarterly account statement. If

you do not have access to your PIN, please contact ASI's customer service center at (800) 659-3035 for assistance.

4. Once your claim is processed, a tax-free reimbursement check is mailed to your home or deposited into your bank account if you have requested direct deposit (see Direct Deposit on page 13).

The address the SCO has on file is where your reimbursement check will be mailed. It is important that you verify with your personnel office that your correct address is on file. If the address is incorrect, or you move while enrolled in FlexElect, you need to complete an Employee Action Request (STD. 686) to update your address.

You may submit claims as often as you like. If you pay your provider in advance, such as paying a daycare provider on the first of the month for that month's daycare, you may prefer to submit your claims every week or two rather than waiting until the end of the month. Make extra copies of your original statement if you plan to submit claims more frequently. You can also break down your monthly payment into weekly or biweekly service periods and prorate the expense on your claim form.

**Claim rejection procedure:** If your claim is rejected (partially or in full), you will receive a rejection letter. If your claim is received during the run-out period (January through June of the following plan year), and additional documentation is required, you have 15 calendar days from the date listed on the rejection letter to resubmit. You should include the rejection letter along with your resubmission.

## Additional Forms and Information

Additional claim forms are available from CalHR's website at [www.calhr.ca.gov](http://www.calhr.ca.gov). If you have questions about how to fill out the form, what documentation to attach, or the status of a claim you already submitted, call ASI at (800) 659-3035. You can also e-mail ASI at [asi@asiflex.com](mailto:asi@asiflex.com), visit their website at [www.asiflex.com](http://www.asiflex.com), or use their 24-hour automated phone system at (800) 366-4827.

## **Payment Dates**

Reimbursement Account claims will be paid twice a week. The average turnaround time between submission of a claim and the issuance of a check or direct deposit is two weeks.

The minimum reimbursement amount that will be paid from your account is \$10. If you submit a claim for less than \$10, the payment will be held until your total reimbursement claims equal \$10 or more. If you have less than \$10 in your account,

ASI will run a report twice a year in June and December, to identify small claims and pay them.

## **Direct Deposit**

You can enroll into direct deposit by going to ASI's website at [www.asiflex.com](http://www.asiflex.com), selecting "Forms" then "Direct Deposit/Email Notification Form." SCO will send a direct deposit advice notice after your check is deposited into your bank account.

# FlexElect Cash Option

FlexElect offers an option for state employees who want to receive cash in lieu of their state-sponsored health and/or dental benefits. To be eligible for a Cash Option, you must have qualifying group health and/or dental coverage through another source such as a spouse, domestic partner, or parent. Qualifying group health coverage is typically maintained by an employer or an employee organization and must conform to the Affordable Care Act's (ACA's) minimum value standards. For a qualifying group health plan to meet the ACA's minimum value standards, the plan must cover at least 60 percent of the total allowed costs of benefits provided under the plan.

Employees may refer to their health plan's Summary of Benefits and Coverage document to determine if their coverage meets the law's minimum value standards. All California Public Employees' Retirement System (CalPERS) sponsored health plans meet the ACA's minimum value standards.

Employees covered with "individual" coverage, such as: Tricare, Medicare, Medi-Cal and Covered California are not eligible for the FlexElect Cash Option (even if those plans meet the minimum value standards).

Other qualifying group coverage is not mandatory to receive the FlexElect Cash in lieu of dental benefits.

## Cash Option Eligibility

If you have qualifying group health and/or dental insurance through a parent, spouse, domestic partner, or another source, you have the option to receive cash in lieu of your state-sponsored health and/or dental benefits.

Depending on which Cash Option you enroll in, you'll receive the following:

- ✓ \$128/month in lieu of health benefits.
- ✓ \$12/month in lieu of dental benefits.
- ✓ \$140/month in lieu of health and dental benefits.

This money is treated as taxable income and is reported on your W-2 statement for the tax year when you receive payment. Cash Option payments are not considered compensation for retirement purposes.

The same eligibility criteria described for the Reimbursement Accounts applies to enrollment in a Cash Option, with the following differences:

- ✓ If you are a permanent-intermittent employee, you may enroll in the FlexElect Cash Option.
- ✓ If you are in bargaining unit 6, you may **not** enroll in the Cash Option for dental benefits. This restriction is set by the union's Benefit Trust. However, you may enroll in the Cash Option for health benefits.

## Before Enrolling in a Cash Option

The Cash Option is designed to expand your benefit options, not limit or decrease important medical and/or dental coverage for you and your family. Accordingly, it is important to make sure your health and dental needs are met before you enroll in a Cash Option. Please remember the following before enrolling into cash in lieu of Dental:

**Three-year commitment:** If you enroll in the Cash Option in lieu of dental benefits, you may not reenroll in a state-sponsored dental plan for three plan years. Plan years run from January 1 through December 31. After completing the three-year commitment, you may enroll in a dental plan during the open enrollment period. The only exception is if you lose your other dental coverage. In this instance, you would be allowed to re-enroll in a state-sponsored dental plan within 60 days following loss of coverage.

## How to Change or Cancel Your Cash Option

If you currently are enrolled in a Cash Option and want to make a change or discontinue it for 2016 you must complete a Cash Option Enrollment Authorization (STD. 701C) and submit it to your personnel office during open enrollment

(September 14-October 9, 2015). You must complete the most current enrollment form revised June, 2015 available on CalHR's website at [www.calhr.ca.gov](http://www.calhr.ca.gov).

## Cash Option for CoBen Employees

If you are covered by CoBen, your Cash Option is available through CoBen, not FlexElect. CoBen covers excluded employees and bargaining units 2, 7, 8, 16, 17, 18, and 19. Contact your personnel office for information and forms to enroll in a CoBen Cash Option. You may access the CoBen Handbook and Cash Option Enrollment Authorization form (STD. 702) on CalHR's website at [www.calhr.ca.gov](http://www.calhr.ca.gov).

## Cash Option for Permanent-Intermittent Employees

If you are a permanent-intermittent employee and want to receive cash in lieu of your health and/or dental benefits, you must enroll each plan year you want to participate. You must complete the enrollment form (STD. 701C) during open enrollment, or as "newly eligible" after open enrollment but prior to January 1.

In order to receive the cash payment, you also must meet all of the following criteria:

- ✓ Be eligible to enroll in health and/or dental benefits as of January 1, 2016 (i.e., you qualified in the July 1–December 31, 2015 control period).
- ✓ Have a permanent-intermittent appointment from January 1 through June 30, 2016.
- ✓ Be paid for at least 480 hours worked from January through June 2016.

**Lump sum payment:** If you enroll in a Cash Option for health and/or dental benefits as a permanent-intermittent employee, you will receive your payment in a lump sum. The amount is for the period of January through June; you are not eligible for the Cash Option for the July through December period. After June 30, 2016, once your personnel office certifies your eligibility based on the criteria listed above, you will receive your Cash Option payment as follows;

- ✓ \$768 in lieu of health benefits.

- ✓ \$72 in lieu of dental benefits.
- ✓ \$840 in lieu of health and dental benefits.

These payments are made within 60 days after SCO receives certification from your personnel office. The \$1.00 monthly administrative fee (\$12 total for the plan year) is deducted from your lump sum payment.

**Impact of time base changes:** If you are appointed to a permanent position with a time base of half-time or more, you lose eligibility for the permanent-intermittent cash payment. If you want to enroll as a newly eligible permanent employee, you must complete a new STD. 701C within 60 days after your appointment.

This appointment makes you newly eligible for a Reimbursement Account: If you want to enroll in a Medical and/or Dependent Care Reimbursement Account, you must complete a STD. 701R within 60 days after the date of your appointment.

Conversely, if you change from permanent status to permanent-intermittent, you lose eligibility for the Reimbursement Account, unless you choose to continue your Medical Reimbursement Account deduction through COBRA.

## When Can I Change My Enrollment?

Once you enroll in a Cash Option, you can't cancel or change your enrollment during the plan year (January 1 through December 31) unless you experience a change in status, called a permitting event. See pages 17-18 for a list of status changes that permit you to cancel or change your enrollment.

## If You Retire

If you are enrolled in a Cash Option when you retire, your Cash Option will stop automatically.

You will need to take the following actions to protect your benefits:

- ✓ **If enrolled in Cash Option for health benefits:** You have 30 days prior to or 60 days following the date of your retirement to enroll in a CalPERS health plan. If you don't enroll within this time period, you must wait

until the next health open enrollment period. Your enrollment at that point would be handled through CalPERS.

- ✓ **If enrolled in Cash Option for dental benefits:** You have 30 days prior to or 60 days following the date of your retirement to enroll in a dental plan. If you don't enroll within this time period, you must wait until the next dental open enrollment.

- ✓ **If you enroll prior to retirement,** your dental enrollment will be processed through your personnel office.
- ✓ **If you enroll following retirement,** your enrollment is handled through CalPERS.

# Permitting Events

If you experience a change in status listed below, you are permitted to take the action that's listed next to that change. You have 60 days following the date of your status change to take the corresponding action.

Your completed form(s) must be received at the SCO by the tenth of the month to be effective on the first of the following month.

Status Change	Action Permitted
Initial appointment to state service (includes reinstatement following a permanent break in service).	May enroll in Cash Option and/or Reimbursement Account(s) as newly eligible.
Marriage.	May enroll in Cash Option and/or Reimbursement Account(s) as newly eligible or, if currently enrolled, may cancel/change Cash Options and/or Reimbursement Accounts.
Divorce (date of final divorce), legal separation, or annulment.	May enroll in Cash Option and/or Reimbursement Account(s) as newly eligible or, if currently enrolled, may cancel/change Cash Options and/or Reimbursement Accounts.
Birth, adoption, or child placed for adoption.	May enroll in Reimbursement Account(s) as newly eligible or, if currently enrolled in a Reimbursement Account, may increase payroll deduction.
Change of physical custody of child.	May enroll in dependent care account as newly eligible or, if currently enrolled in a dependent care account, may cancel/change enrollment.
Death of spouse or domestic partner.	May enroll in Reimbursement Account(s) or Cash Option as newly eligible or, if currently enrolled, may cancel/change FlexElect elections.
Loss or commencement of spouse's or domestic partner's employment.	May enroll in Reimbursement Account(s) as newly eligible or, if currently enrolled, may cancel/change Cash Options and/or Reimbursement Accounts. New enrollment into cash not allowed.
Loss of medical and/or dental coverage provided through spouse, domestic partner, or other source, due to an employment status change.	If currently enrolled in Cash Option, may cancel/change Cash Option. New enrollments not allowed.
Commencement of medical and/or dental coverage provided through spouse, domestic partner, survivor benefits, or other source, due to an employment status change.	May enroll in Cash Option as newly eligible or, if currently enrolled, may cancel/change Cash Option.
Child enters military service.	If currently enrolled in a Medical Reimbursement Account, may cancel/decrease payroll deduction based on this status change. New enrollments not allowed
Marriage of child.	If currently enrolled in a Medical Reimbursement Account, may cancel/decrease payroll deduction. New enrollments not allowed.

<b>Status Change</b>	<b>Action Permitted</b>
Death of dependent (other than spouse).	If currently enrolled in Reimbursement Account(s), may cancel/decrease payroll deduction. New enrollments not allowed.
Child attains age 13.	If currently enrolled in Dependent Care Account, may cancel/decrease payroll deduction. New enrollments not allowed.
Child attains age 26.	If currently enrolled in a Medical Reimbursement Account, may cancel/decrease payroll deduction. New enrollments not allowed.
Move out of group practice plan's service area.	May enroll in a new plan if your plan is no longer available. May not change Reimbursement Account(s). New enrollments not allowed.
New health and/or dental plan(s) in area where none was previously available or health/dental plan no longer available.	If currently enrolled in health and/or dental plan, may change coverage. May not change Reimbursement Account(s). New enrollments not allowed.
Change in bargaining unit or employee designation (e.g., transfer, promotion) that results in a loss or gain of eligibility for Cash Option.	If currently enrolled in health and/or dental plan, may change coverage or cancel/change Cash Option per union requirements. May not change Reimbursement Account(s). New enrollments not allowed.
Change in employee's or spouse's work schedule (e.g., FMLA, NDI, SDI, IDL, time base change, reduction of hours, separation, commencement or return from an unpaid leave of absence) or work site that results in a loss of eligibility.	If currently enrolled in Dependent Care Account may cancel/change enrollment. New enrollments not allowed.
Change in dependent care provider.	May enroll in Dependent Care Reimbursement Account as newly eligible or, if currently enrolled, may cancel/change enrollment.
Change in provider dependent care cost.	May enroll in Dependent Care Reimbursement Account as newly eligible or, if currently enrolled, may cancel/change enrollment. Action allowed only if the provider is not a relative.

# Payroll Status Changes

In addition to permitting events, here are some other payroll status changes that may affect your FlexElect enrollment:

## **Non-Industrial Disability Insurance (NDI):**

If enrolled in a Reimbursement Account and/or Cash Option and you go on NDI, your monthly deductions and/or Cash Option payment remains in effect and will be reflected on your NDI check is issued.

## **Industrial Disability Leave (IDL) and**

**Temporary Disability (TD):** If you go on IDL or TD while enrolled in a FlexElect Cash Option, your enrollment remains in effect. You will receive a separate check for your Cash Option, issued about a week after your IDL or TD check.

If you go on IDL or TD while enrolled in a Reimbursement Account, your enrollment will stop while you are on leave, unless you supplement your IDL and TD.

If you are enrolled in the Medical Reimbursement Account, and your deductions stop, you may elect to continue your coverage under COBRA. If you return to regular pay within the FlexElect plan year, your deductions will resume.

## **State Disability Insurance (SDI):**

If going on SDI while enrolled in a Reimbursement Account and/or Cash Option, your enrollment will stop while you are on leave, unless you supplement your SDI payments.

If you supplement your SDI payments with sick leave, annual leave or vacation, your enrollment will continue.

If you return to pay status in the same FlexElect plan year, your enrollment will resume.

If you are enrolled in the Medical Reimbursement Account and wish to continue to submit claims for services provided during your unpaid leave of absence, you may elect to continue to make contributions through COBRA. Contact your personnel office for more details.

**Unpaid Leave of Absence:** If you are on an unpaid leave of absence while enrolled in a Reimbursement Account and/or Cash Option, your enrollment will stop while you are on leave. If you return to pay status in the same FlexElect plan year, your enrollment will resume.

If you are enrolled in the Medical Reimbursement Account and wish to continue to submit claims for services provided during your unpaid leave of absence, you may elect to continue to make contributions through COBRA. Contact your personnel office for details.

**Military Leave:** If you are called to active military duty for the War on Terrorism, you are eligible to retain your state benefits for up to 365 calendar days above the 180 calendar days as provided by Government Code section 19775.17. If you are currently receiving FlexElect Cash in lieu of other qualifying group health and/or dental benefits, you may continue to receive the cash for the duration of your military leave, not to exceed the time limits mentioned above. Military leave is not a permitting event to be considered "newly eligible" to enroll into the FlexElect Cash Option program.

# Instructions for Completing Forms

Forms to enroll in the FlexElect Reimbursement Account(s) and/or Cash Option are available on the CalHR website. Refer to the following instructions when completing these forms.

## **Reimbursement Account Enrollment Authorization (STD. 701R)**

To enroll or reenroll in a FlexElect medical account and/or a dependent care account, complete a Reimbursement Account Enrollment Authorization form.

### **Section 1—Enrollment:**

If you are enrolling during the annual open enrollment period, check Item A.

If you are “newly eligible” enrolling outside the open enrollment period due to a permitting event (see pages 17-18), check Item B.

If you are changing your enrollment due to a permitting event (see pages 17-18), check Item C.

If you are canceling your enrollment, check Item D.

### **Section 2—Social Security Number:**

Enter your Social Security number.

### **Section 3—Name:**

Print your first name, middle initial, and last name.

### **Section 4—SCO Use Only:**

SCO will complete.

### **Section 5—Total Monthly Amount to be Deducted:**

If you are enrolling in a FlexElect Medical Reimbursement Account, enter the total amount in Item 5A you want deducted from your paycheck each month and deposited in your Medical Reimbursement Account. If you are enrolling in a FlexElect Dependent Care Reimbursement Account, enter the total amount in Item 5B you want deducted from your paycheck each month and deposited in your dependent care account.

### **Section 6—SCO Use Only:**

SCO will complete.

### **Section 7—Employee Signature:**

This section contains important information you should be aware of when enrolling in FlexElect. Read this section carefully, then sign and date the form on the line marked. Your signature certifies you have read the information and agree to the terms and conditions of the FlexElect Program as outlined on the STD. 701R and in this handbook.

### **Sections 8—20:**

Your personnel office must complete this section. Make a copy of your completed form before you send it to your personnel office. Once your personnel office has completed the “Agency Use Only” sections, the original copy is forwarded to the SCO along with any other necessary forms (e.g., HBD-12, STD. 692). Your personnel office will keep a copy in your personnel file and send a copy to you.

### **Cash Option Enrollment Authorization (STD. 701C)**

If you want to enroll for the first time, cancel, or make changes to your current Cash Option, you must complete the STD. 701C.

In addition to the STD. 701C, you must complete the CalPERS Health Benefits Enrollment form (HBD-12) if any of the following events occur:

- ✓ A change or cancellation to your current health coverage.
- ✓ A covered dependent has a change in eligibility or you want to add an eligible dependent.

You also must complete the Dental Enrollment form (STD. 692) if any of the following events occur:

- ✓ A change or cancellation to your current dental coverage.
- ✓ A covered dependent has a change in eligibility or you want to add an eligible dependent.

The health and dental forms must be submitted to your personnel office along with your Cash Option Enrollment Authorization form. Both forms are available from your personnel office.

**When husband and wife or registered domestic partners both work for the state:**

If you are canceling your health and/or dental coverage to enroll as a dependent on your state employee spouse's or registered domestic partner's plan, you and your partner's department personnel staff must coordinate submission of the health, dental, and FlexElect Cash Option Enrollment Authorization for you and your spouse/registered domestic partner.

The effective date for canceling your coverage, and the date for your spouse or domestic partner to add you as a dependent, should be the same. The health and/or dental enrollment forms for you and your spouse/registered domestic partner must be submitted as a package with your STD. 701C.

**Section 1—Enrollment:**

If you are enrolling during the annual open enrollment period, check Item A.

If you are “newly eligible” enrolling outside the open enrollment period due to a permitting event, check Item B.

If you are changing your enrollment due to a permitting event, check Item C.

If you are canceling your enrollment, check Item D.

**Section 2—Social Security Number:**

Enter your Social Security number.

**Section 3—Name:**

Print your first name, middle initial, and last name.

**Section 4—Cash Option:**

Medical Coverage: If choosing to receive the Cash Option in lieu of your health benefits, enter \$128 in Item A. If you don't want to receive the cash and wish to keep your state-sponsored health plan, enter N/A in Item A. Dental Coverage: If choosing to receive the Cash Option in lieu of your dental coverage, enter \$12 in Item B. If you don't want to receive the cash and wish to keep your state-sponsored dental plan, enter N/A in Item B. Total Cash: Enter the total Cash Option amount (sum of Items A and B) in Item C.

**Section 5—SCO Use Only:**

SCO will complete.

**Section 6—Statement of Other Medical and/or Dental Coverage:**

If choosing the Cash Option in lieu of health and/or dental benefits, you must complete Item 6. In Item A and/or B, list the carrier for your other health and/or dental insurance. In Item C, check the box showing who you have your other coverage through. If your coverage is through your parent, spouse or registered domestic partner, you must also complete Item D.

**Section 7—Employee Signature:**

This section contains important information you should be aware of when enrolling in FlexElect. Your signature certifies you have other qualifying health and/or dental coverage and that you have read the information and agree to the terms and conditions of the FlexElect Program as outlined on the STD. 701C and in this handbook.

**Sections 8—22:**

Your personnel office must complete.

We recommend you make a copy of your completed form before you send it to your personnel office. Once your personnel office completes the “Agency Use Only” sections, the original copy is forwarded to SCO along with any other necessary forms (e.g., HBD-12, STD. 692). Your personnel office has been instructed to keep a copy in your personnel file and send a copy to you.

## Medical Reimbursement Account Annual Health Care Expenses Worksheet

This worksheet is for estimating annual health care expenses. Health expenses claimed through a Medical Reimbursement Account may not exceed \$2,550 for the 2016 FlexElect plan year.

1. Enter your health care expenses for the last 12 months.
2. Divide your total annual medical expenses by the number of pay periods to calculate the amount needed to be withheld every pay period.

Eligible Expenses	Expenses Incurred in 2015	Expected Expenses for 2016
<b>Health Care Expenses:</b>		
Deductibles	\$	\$
Copayments	\$	\$
Amounts above plan limits	\$	\$
Other eligible health care expenses not covered by your medical plan	\$	\$
<b>Dental Expenses:</b>		
Deductibles	\$	\$
Copayments	\$	\$
Other eligible dental expenses not covered by your dental plan	\$	\$
<b>Vision Care Expenses:</b>		
Deductibles	\$	\$
Copayments	\$	\$
Other types of eligible vision expenses not covered by your vision plan	\$	\$
<b>Other:</b>	\$	\$
Travel expenses (mileage, parking, and toll charges)	\$	\$
<b>TOTAL ANNUAL MEDICAL EXPENSES</b>	<b>\$</b>	<b>\$</b>
<b>Divide by 12 for monthly contribution</b>		