

**LANS**  
**Health Care Reimbursement**  
**Account (HCRA)**  
**and**  
**Dependent Care Reimbursement**  
**Account**  
**(DCRA)**

**Benefit Program Summary**  
**Effective June 1, 2006**

This is a summary of highlights of the LANS Health Care Reimbursement Account, a component of the LANS Welfare Benefit Plan for Employees, ERISA Plan 501 ("Plan"), and the LANS Dependent Care Reimbursement Account (DCRA). Receipt of this document and/or your participation in the Plan and any benefit programs do not guarantee your employment or any rights or benefits. LANS reserves the right to amend or terminate the Plan, the DCRA, or any benefit program(s) at any time. The HCRA is governed by a federal law (known as ERISA), which provides rights and protections to Plan participants and beneficiaries. The DCRA is governed by the Internal Revenue Code and New Mexico state law.

For more information on LANS benefit programs, see the LANS Welfare Benefit Plan for Employees Summary Plan Description, available from the LANL Benefits Office at (877) 667-1806 or (505) 667-1806.

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## **General Information about the Reimbursement Accounts**

This section provides general information about the Health Care Reimbursement Account (HCRA) as well as the Dependent Care Reimbursement Account (DCRA),

### **What is a Reimbursement Account?**

The Health Care Reimbursement Account and the Dependent Care Reimbursement Account (collectively referred to as Reimbursement Accounts) are LANS-sponsored programs that essentially allow you to pay for eligible health care and dependent care expenses with pretax dollars. The programs provide tax savings because you are not taxed on the money used to pay for such expenses.

Contributions to the Reimbursement Account are deducted from your paychecks on a pretax (tax-free) basis—before federal, state, and Social Security (FICA) taxes are taken out. Your annual election amount(s) is divided equally and deducted equally from your paychecks throughout the year.

Amounts contributed to the Health Care Reimbursement Account may be used only for eligible health care expenses. Amounts contributed to the Dependent Care Reimbursement Account may be used only for eligible dependent care expenses.

### **How Do the Reimbursement Accounts Save Me Money?**

The Reimbursement Accounts save you money on payroll and income taxes. For example, if you earn \$3,000 a month and contribute \$200 to a Reimbursement Account, you pay taxes on only \$2,800 a month. The tax savings are reflected in your pay each month, all year. The savings depend on your particular tax situation. See Internal Revenue Service (IRS) Publications 502 and 503 ([www.irs.gov](http://www.irs.gov)) or consult your tax advisor for more details.

### **How do I enroll in a Reimbursement Account?**

Each year at Open Enrollment (usually held in November), or when you otherwise become eligible to be covered under the Reimbursement Accounts, you may enroll in either or both Reimbursement Accounts. You decide what your annual contribution to either or both Reimbursement Account will be, based on your personal circumstances and subject to the limitations discussed below.

Changes made during Open Enrollment are effective the following January 1. You can only enroll in the Reimbursement Accounts for one year at a time, so if you **do not** reenroll during Open Enrollment, your participation in either or both Reimbursement Accounts will end on December 31.

## **What if I was an Employee of the University of California on May 31, 2006 who transitioned to LANS on June 1, 2006?**

If, on May 31, 2006, you were a participant in either or both Reimbursement Accounts sponsored by the University of California, your elections and balances under the UC Reimbursement Accounts were automatically transferred to the LANS Reimbursement Accounts effective June 1, 2006.

## **Is There a Minimum Contribution Amount?**

Yes. To participate in the Health Care Reimbursement Accounts, you must contribute a minimum of \$180 per year. To participate in the Dependent Care Reimbursement Accounts, you must contribute a minimum of \$180 per year.

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

You can generally change the amount of your annual Health Care Reimbursement Account election only during Open Enrollment. However, certain changes in your family or employment status allow you to start or stop participating or change the amount of your annual election during the plan year. In order to change your election, you must complete a DCRA/HCRA change or cancellation form. Forms are available from the LANS Benefits office or on the *LANS Benefits Website for Employees*: <http://www.lanl.gov/worklife/benefits/forms.shtml>.

For information about permissible election changes, see the *LANS Welfare Benefit Plan for Employees Summary Plan Description (SPD)*, Section 7, "Making Changes to Your Elections."

## **What is SHPS?**

SHPS is the vendor LANS has hired to administer the Reimbursement Accounts. SHPS maintains a Website ([www.myshps.com](http://www.myshps.com)) with additional information. You may also contact SHPS using its toll-free number at (877) 270-3915.

## **When Can I Expect My Reimbursement?**

Generally, claims of \$25 or more are processed within ten business days of receipt by SHPS, and payments are released no later than the following day. If your claim is for less than \$25, SHPS will process your claim but hold your reimbursement until you reach the minimum amount. This \$25 limit applies separately to the Health Care Reimbursement Account and Dependent Care Reimbursement Account.

## **How Do I Keep Track of My Account Contributions?**

SHPS maintains a Website ([www.myshps.com](http://www.myshps.com)) where you can check your Health Care Reimbursement Account and Dependent Care Reimbursement Account contributions. You can also get information on your HCRA by calling the SHPS toll-free telephone number at (877) 270-3915.

If you sign up with SHPS to have your reimbursement automatically deposited to your bank account (“direct deposit”), SHPS will send you an email each time a reimbursement is made (if you have provided your email address). If you choose to receive your reimbursement by paper check, you will receive an account statement with each check.

SHPS will send you quarterly account statements. If you do not receive your statement, please contact the LANL Benefits Office at (877) 667-1806 or (505) 667-1806.

## **What Happens to Reimbursement Account Funds I Don't Use?**

The IRS requires you to forfeit any funds in your Reimbursement Accounts not used to reimburse eligible expenses incurred by March 15 of the plan year following the year you enroll. For example, for the 2006 plan year, you will forfeit any money remaining in either or both Reimbursement Accounts after you submit reimbursement requests for all expenses incurred through March 15, 2007. You have until June 15 to submit reimbursement requests for expenses incurred through March 15.

The Reimbursement Accounts can help you save on your taxes if you:

- Carefully estimate your health care or dependent care expenses.
- Adjust your annual Reimbursement Account election(s) during Open Enrollment to reflect your estimated expenses for the next plan year (January 1 – December 31).
- If you experience a permitted change as described in the *LANS Welfare Benefit Plan for Employees SPD*, Section 2, “Making Changes to Your Elections” during the plan year, increase or decrease your annual election within 31 days of the Life Event.
- Submit claims on time. The deadline for filing Reimbursement Accounts claims is June 15 of the following plan year. See “**How Do I File Claims?**”

**IMPORTANT: All claims for services incurred during a plan year and during the January 1 – March 15 Grace Period must be received by SHPS by June 15 of the following plan year. For example, if you set aside \$1,000 in your HCRA for the 2007 plan year and you don't use all of this amount to pay eligible HCRA expenses in 2007, you may use this \$1,000 to pay eligible HCRA expenses incurred during the January 1, 2008-March 15, 2008 Grace Period and you must submit all claims incurred during the Grace Period by June 15, 2008. Otherwise, you will forfeit any unclaimed balance in either or both Reimbursement Accounts. Allow ample time for**

**mailing. Claims must be received, not just postmarked, by the deadline. Claims may also be faxed to SHPS at (866) 643-2219.**

In accordance with IRC regulations, LANS may use forfeited funds to pay administrative costs.

## **How Do the Reimbursement Accounts Affect My Social Security and Unemployment Insurance Benefits?**

As discussed above, your Reimbursement Account contributions lower your earnings. Because your Social Security and unemployment insurance benefits are based on earnings, these benefits might be lower, depending on the amount you earn.

For example, if your annual earnings after your contributions to the Reimbursement Account are above the Social Security wage base (\$94,200 in 2006), there will be little or no effect on your Social Security benefits. However, if your earnings are below the wage base, your future Social Security benefits may be reduced if earnings from your years of participation in the Reimbursement Account are used to calculate your Social Security benefits. The amount of your Reimbursement Account contributions also reduce the earnings used to calculate your unemployment insurance benefits.

## **If SHPS Accepts My Claims, Does This Assure the IRS Will, Too?**

No. It is your responsibility to make sure that expenses you submit for reimbursement are eligible under the Reimbursement Accounts. You are responsible for taxes and penalties associated with any ineligible expenses in the event of an IRS audit.

**Note that eligible expenses reimbursed from your Reimbursement Accounts cannot be included in itemized deductions on your income tax return.**

## **Nondiscrimination Requirements**

In order to prevent the programs from being characterized as discriminatory by the Internal Revenue Service and therefore ineligible for favorable tax treatment, LANS may reject any elections or reduce contributions or benefits during the plan year. This means payroll deductions may be reduced or stopped as needed.

## **What If I Have Questions?**

If you have questions, you can call SHPS' toll-free number at (877) 270-3915. Or, you can access your account information through the SHPS website ([www.myshps.com](http://www.myshps.com)). If your reimbursement check is not correct or if you do not receive it, please call SHPS directly.

Please note that individual account information—contribution amounts, reimbursements, account balance, and claim status—are confidential. This information is available only to

the LANS employee who is the account participant.

## **Important Note**

While care has been taken to develop this summary, it is not a guarantee. In particular:

- The terms and conditions of the Reimbursement Accounts may change at any time.
- The Reimbursement Accounts may be terminated or amended at any time.
- Your employment relationship may be voluntarily or involuntarily changed or terminated.

The benefits ultimately payable to your eligible survivor(s) will be determined according to the rules of the applicable LANS benefit program and applicable law.

Some special situations are not reflected in this summary.

**This is a summary of benefits. For additional information, please contact:**

Los Alamos National Security

LANL Benefits Office

P.O. Box 1663, MS P280

Los Alamos, NM 87545

(877) 667-1806 or (505) 667-1806

email: [benefits@lanl.gov](mailto:benefits@lanl.gov)

LANL Benefits Website for Employees: <http://www.lanl.gov/worklife/benefits/>



## **Health Care Reimbursement Account (HCRA)**

This section describes information specific to the Health Care Reimbursement Account.

### **What is the Health Care Reimbursement Account?**

The LANS Health Care Reimbursement Account (HCRA) allows you to pay on a pretax, salary reduction basis for eligible health care expenses not covered by your medical, dental, or vision plans, as described below.

The HCRA is established under Internal Revenue Code (IRC) §105, the LANS Section 125 Plan and is part of the LANS Welfare Benefit Plan for Employees, ERISA plan number 501. It is the intention of LANS that the HCRA qualify as a self-insured medical reimbursement plan within the meaning of §105(h) of the Internal Revenue code of 1986, as amended, and the reimbursements which an employee receives under the Plan be eligible for exclusion from the employee's income under IRC § 105(b) and IRC §125(a).

### **How Does the Health Care Reimbursement Account Work?**

After you enroll, the Health Care Reimbursement Account works like this:

- The amount you specify when you enroll is taken from your pay each month and credited to your HCRA.
- When you have an eligible health care expense, you submit to SHPS a claim form with either an Explanation of Benefits (EOB) statement or detailed receipt of services rendered. See **“How do I File Claims?”** for contact information.
- SHPS sends you a reimbursement payment, either by direct deposit to your bank account or by check.

### **Who Can Participate in the Health Care Reimbursement Account?**

You may participate in the Health Care Reimbursement Account if you are a LANS employee appointed in a LANS Benefit Eligibility Level Indicator (BELI) 1, 2, 3 or 4. For more information about BELIs, refer to the *LANS Welfare Benefit Plan for Employees SPD*, Section 2, “Eligibility Requirements.”

### **Which Dependents Can be Reimbursed?**

Health Care Reimbursement Account reimbursement is available for the expenses of the following dependents:

- Your legal spouse (as defined under federal law).
- A dependent such as a child/children, parent, sibling or in-law, if they qualify for tax-favored health coverage. For more information, refer to the *LANS Welfare Benefit*

*Plan for Employees SPD*, Section 4, “Health Coverage Tax Dependents.”

- Your domestic partner or your domestic partner’s children, if they qualify for tax-favored health coverage. For more information, refer to the *LANS Welfare Benefit Plan for Employees SPD*, Section 4, “Health Coverage Tax Dependents.”

## **Which Expenses are Eligible for Reimbursement?**

Health care expenses must generally meet the statutory requirements of IRC § 213(d). More information about eligible expenses also can be found in IRS Publication 502 available at the IRS Website at [www.irs.gov](http://www.irs.gov) (follow the “Forms and Publications” link). Some basic guidelines for eligible HCRA expenses are:

- Expenses must be incurred during the plan year (January 1 through December 31). In addition, you may be reimbursed for health care expenses incurred from January 1 through March 15 of the next plan year, from funds set aside in the previous plan year. This period is referred to as the Grace Period.
- You incur expenses when the care is provided, rather than when you are billed or when you pay for the care.
- If you enroll in the HCRA midyear, expenses incurred before your effective date are not eligible. The effective date is the first day of the month following your enrollment, subject to payroll deadlines.
- Expenses incurred after your participation in the HCRA ends aren’t eligible. See “**What If I Go on a Leave of Absence**” or “**What if I Terminate from LANS?**”

**NOTE: Expenses reimbursed under the HCRA may not be deducted on your income tax return.**

## **Eligible Expenses: A Partial List**

The Health Care Reimbursement Account is generally used for health care expenses not paid by insurance.

Examples of expenses that generally meet the requirements of the HCRA include:

- Copayments, coinsurance and deductibles (but not premiums)
- Acupuncture
- Birth control pills
- Braille books and magazines
- Childbirth classes
- Chiropractic visits
- Dental care
- Guide dogs for the visually or hearing impaired
- Hearing aids
- Laser eye surgery
- Nicotine patches and gum
- Orthodontia (contact SHPS at [www.myshps.com](http://www.myshps.com) for special payment procedures)
- Over-the-counter drugs\*

- Detoxification or drug abuse centers
- Diabetic supplies
- Expenses that exceed medical, dental or vision plan limits
- Expense for services connected with donating an organ
- Eye exams, glasses, contact lenses and contact lens solution
- Prescription drugs
- Psychotherapy
- Smoking cessation programs
- Specialized equipment for disabled persons
- Speech therapy
- Transportation expenses related to medical care
- Wheelchairs

*\*See the “FSA Over-the-Counter Fact Sheet” on [www.myshps.com](http://www.myshps.com) for a list of eligible over-the-counter drugs. A cash register receipt with the name of the item is required.*

## Ineligible Expenses: A Partial List

Examples of ineligible health care expenses include:

- Cosmetic services
- Expenses you claim on your income tax return
- Some expenses that are not tax-deductible
- Expenses reimbursed by other sources, such as insurance plans
- Fees for exercise or health clubs, unless medically necessary
- Hair transplants
- Illegal treatments, operations or drugs
- Insurance premiums
- Postage and handling fees
- Weight loss programs that are not medically necessary
- Long term care

Be aware that expenses submitted for reimbursement from the HCRA must meet IRC regulations. If your health care expenses are not clearly eligible, SHPS may ask you to submit additional information to help determine whether the reimbursement is allowed. In some cases, you may need a statement from your tax advisor verifying that the expense in question is eligible for reimbursement.

Information on eligible and ineligible health care expenses can be found on SHPS’ Website ([www.myshps.com](http://www.myshps.com)). For additional information, consult your tax advisor. Note that there are differences in expenses that are eligible for tax deductions and expenses that are eligible under the HCRA. **You are responsible for making sure all expenses submitted for reimbursement under this benefit program are eligible.**

## **How Much Can I Contribute to My Health Care Reimbursement Account?**

You may contribute up to \$5,000 to the Health Care Reimbursement Account per plan year. If both you and your spouse are LANS employees, you may each contribute up to \$5,000 per plan year. It's important that you estimate your health care expenses carefully. **You forfeit any contributions you don't claim for reimbursement.** See **“What Happens to Health Care Reimbursement Funds Money I Don't Use?”**

## **How Do I File Claims?**

You can complete a claim form online, print it out, sign it, and then mail it or fax it, along with the appropriate documentation, to the address or fax number on the form. You can get a copy of the claim form at the SHPS Website ([www.myshps.com](http://www.myshps.com)). You can also get a claim form by calling SHPS's toll-free number at (877) 270-3915.

You must submit claims yourself - claims submitted by a spouse or other family member will be returned. With your claim, include a **copy** of the health plan's EOB (Explanation of Benefits) or detailed receipt of services rendered. Be sure to submit copies only. SHPS does not return or keep copies of bills or receipts. SHPS will not accept cancelled checks in lieu of a bill or receipt. You must certify on the claim form that your expenses are eligible under the Health Care Reimbursement Account.

With the HCRA, you have access to the total amount you elected for the plan year as soon as eligible expenses are incurred.

## **Is there a Claim Appeal Process for Health Care Reimbursement Account Benefits?**

Yes. See the *LANS Welfare Benefit Plan for Employees SPD*, Section 8, “Claim and Appeal Procedures” for information about filing claims and appeals under the Health Care Reimbursement Account.

## **What if I Go on a Leave of Absence Without Pay or am Laid Off?**

If you go on a leave of absence without pay or are laid off, your contributions to the Health Care Reimbursement Account stop. Your participation generally ends at the end of the month following the month in which your last HCRA contribution was made. For example, if you go on leave in February, and your March pay (for February earnings) is large enough to make your monthly HCRA contribution, then your participation ends on April 30.

While on leave, you may continue to submit claims for eligible expenses incurred before your participation ends. Expenses incurred during the leave after your participation ends are not eligible for reimbursement.

## **What if I Go on an Approved FMLA Leave?**

If you are on an approved leave under the federal Family and Medical Leave Act (FMLA), you may have several options as described below.

### ***If You Take a Paid FMLA Leave***

If your salary continues during some or all of your FMLA leave, you can continue making contributions to your HCRA as if you were not on leave, and you can be reimbursed for claims incurred during your leave. If you decide to stop contributing to your HCRA while you're on leave, you cannot be reimbursed for expenses you incur during the leave — you only can be reimbursed for those eligible expenses incurred before your leave began.

### ***If You Take an Unpaid FMLA Leave***

If you take an **unpaid** FMLA leave you have three choices regarding your HCRA:

- You can **cancel** your participation after your leave begins. If your participation is cancelled, you **cannot** be reimbursed for any expenses incurred during your leave, even though you may have a balance in your HCRA; or
- You can **continue** your participation by making a lump-sum contribution – equaling the remaining required contributions for the length of the unpaid leave of absence (or through the end of the calendar year, if less) – on a **pretax basis** from the last paycheck before your leave begins. You can then be reimbursed for eligible expenses incurred during your leave; or
- You can **continue** to make monthly contributions during your leave on an **after tax basis**. If you continue to participate, you can be reimbursed for eligible expenses incurred during your leave. If you make monthly contributions, you'll need to send your checks directly to SHPS. If you stop sending your contributions, you cannot be reimbursed for expenses incurred after you stop making contributions.

In order to continue participation in the HCRA during your leave, you must complete a change or cancellation form *before* your leave begins. If you do not complete the form before your leave begins, your participation will be cancelled as described above. Forms are available from the LANS Benefits office or on the *LANL Benefits Website for Employees*: <http://www.lanl.gov/worklife/benefits/forms.shtml>.

## **What if I Go on a USERRA Leave?**

If you take a military leave of absence under the Uniformed Services Employment and Reemployment Rights Act of 1994 (“USERRA”), you have several options as described below.

### ***If You Take a Paid USERRA Leave***

If your salary continues during some or all of your USERRA leave, you can continue

making contributions to your HCRA as if you were not on leave, and you can be reimbursed for claims incurred during your leave. If you decide to stop contributing to your HCRA while you're on leave, you cannot be reimbursed for expenses you incur during the leave — you only can be reimbursed for those eligible expenses incurred before your leave began.

### ***If You Take an Unpaid USERRA Leave***

If you take an **unpaid** USERRA leave, you have three choices regarding your HCRA:

- You can **cancel** your participation after your leave begins. If your participation is cancelled, you **cannot** be reimbursed for any expenses incurred during your leave, even though you may have a balance in your HCRA; or
- You can **continue** your participation by making a lump-sum contribution – equaling the remaining required contributions for the length of the unpaid leave of absence (or through the end of the calendar year, if less) – on a **pretax basis** from the last paycheck before your leave begins. You can then be reimbursed for eligible expenses incurred during your leave; or
- You can **continue** to make monthly contributions during your leave on an **after tax basis**. If you continue to participate, you can be reimbursed for eligible expenses incurred during your leave. If you make monthly contributions, you'll need to send your checks directly to SHPS. If you stop sending your contributions, you cannot be reimbursed for expenses incurred after you stop making contributions.

In order to continue participation in the HCRA during your leave, you must complete a cancellation or continuance form *before* your leave begins. If you do not complete the form before your leave begins, your participation will be cancelled as described above.

You may continue participation in the HCRA up to 24 months, or the day after the date you fail to apply for or return to work on a timely basis after military leave, whichever occurs first.

Forms are available from the LANS Benefits office or on the *LANL Benefits Website for Employees*: <http://www.lanl.gov/worklife/benefits/forms.shtml>.

## **What Happens When I Return to Work Following a Leave of Absence?**

If your participation in the Health Care Reimbursement Account was cancelled while you were on a leave of absence and you return to work within the same plan year, you may re-enroll in the HCRA for the remainder of the plan year. You must re-enroll within 31-days after you return from a leave.

If you return to work within the same plan year, the length of time you were on leave will affect your re-enrollment options, as follows:

- If you were on leave less than 120 days, your monthly contribution must be the same

as before you were on leave.\*

- If you were on leave for 120 days or more or you may select a new annual contribution.

\*Except, if you cancelled your HCRA coverage during your FMLA or USERRA leave, when you return from the FMLA or USERRA leave, you have the right to choose to:

- resume the monthly contributions in effect before your FMLA or USERRA leave (and your coverage will be reduced); or
- increase your monthly contributions from those in effect before your FMLA or USERRA leave (and resume coverage in effect before your FMLA or USERRA leave).

In order to re-enroll in the HCRA after your return from your leave, you must complete a DCRA/HCRA change or cancellation form within 31 days of your return to active pay status, or you will not be able to re-enroll. Forms are available from the LANS Benefits office or on the *LANS Benefits Website for Employees*:

<http://www.lanl.gov/worklife/benefits/forms.shtml>.

## **What If I Terminate from LANS?**

Your automatic contributions to the Health Care Reimbursement Account continue only as long as you remain on active pay status. If you terminate from LANS, your participation in the HCRA ends at the end of the pay period in which your last contribution is deducted from your pay unless you continue participation under COBRA. See “**Can I Elect COBRA If I Stop Working for LANS?**”

For example, if you are paid monthly and you leave LANS employment in February, your last contribution to your HCRA is taken from your February earnings and your participation ends March 31.

You may submit claims for eligible expenses incurred through the last day of participation in the HCRA. Expenses incurred after this date are not eligible for reimbursement.

## **What If I Return to Work at LANS After Termination?**

If you are rehired by LANS and choose to re-enroll in the HCRA for the remainder of the plan year, you may do so within 31 days of your return to work.

If you return to work within the same plan year, the length of your break in service from LANS will effect your re-enrollment options, as follows:

- If you were terminated from LANS less than 120 days, your monthly contribution must be the same as before you were on leave.
- If you were terminated from LANS for 120 days or more, you may select a new

monthly contribution.

In order to re-enroll in the HCRA, you must complete a DCRA/HCRA change or cancellation form within 31 days of your return to work, or you will not be able to re-enroll.

Forms are available from the LANS Benefits office or on the *LANL Benefits Website for Employees*: <http://www.lanl.gov/worklife/benefits/forms.shtml>.

## **Can I Elect COBRA for HCRA If I Stop Working for LANS?**

Yes. If you leave LANS employment during the plan year, you may continue participation in the Health Care Reimbursement Account until the end of the plan year if you elect to continue coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

SHPS will send you a COBRA election notice explaining the procedure for continuing your participation under COBRA. If you don't receive this notice, please contact SHPS at (877) 270-3915.

With COBRA, by making direct, after tax payments to your account, you and your eligible family member can continue your participation through the end of the current plan year (December 31). In addition, you may be reimbursed for expenses incurred from January 1 through March 15 of the next plan year, from funds set aside in the previous plan year. This period is referred to as the Grace Period. See “**Which Expenses are Eligible?**”

You might consider COBRA if, for instance, you have an account balance when you leave LANS employment and you have planned a surgery for later in the year. Remember, you can claim only those expenses you incur while participating in the plan. So, in this example, continuing participation through COBRA would allow you to claim eligible surgery-related expenses.



## **Dependent Care Reimbursement Account (DCRA)**

This section describes information specific to the Dependent Care Reimbursement Account.

### **What is the Dependent Care Reimbursement Account?**

The LANS Dependent Care Reimbursement Account (DCRA) allows you to pay on a pretax, salary reduction basis for eligible dependent care expenses, as described below.

The DCRA is established under Internal Revenue Code (IRC) §129 and the LANS Section 125 Plan. It is the intention of LANS that the DCRA qualify as a self-insured dependent care reimbursement plan within the meaning of §129 of the Internal Revenue Code of 1986, as amended, and the reimbursements which an employee receives under the Plan be eligible for exclusion from the employee's income under IRC § 129(a) and IRC §125(a) of the Internal Revenue Code.

### **How Does the Dependent Care Reimbursement Account Work?**

After you enroll, the Dependent Care Reimbursement Account works like this:

- The amount you specify when you enroll is taken from your pay each month and credited to your DCRA.
- When you have an eligible expense, you submit to SHPS a DCRA claim form and a detailed receipt of services rendered. See **“How Do I file Claims?”** for contact information.
- SHPS sends you a reimbursement payment, either by direct deposit to your bank account or by check.

### **Who can Participate in the Dependent Care Reimbursement Account?**

You may participate in the Dependent Care Reimbursement Account if you are a LANS employee appointed in a LANS Benefit Eligibility Level Indicator (BELI) 1, 2, 3 or 4. For more information about BELIs, refer to the *LANS Welfare Benefit Plan for Employees SPD*, Section 2, “Eligibility Requirements.”

In addition, to participate in the Dependent Care Reimbursement Account you must be:

- Single or divorced and working (or looking for work); or
- Married and:
  - Both you and your spouse work (or looking for work); or
  - You work and your spouse is a full-time student and attends classes outside the home at least five months a year.

## **Which Dependents' Expenses are Eligible for Reimbursement?**

The Dependent Care Reimbursement Account provides reimbursement for the eligible expenses of dependents who are, in general, your tax dependents and who:

- Live with you most of the time;
- Rely primarily on you for his or her support; and
- Are under age 13, or are physically or mentally unable to care for himself or herself, regardless of age. This could include care for a disabled spouse or for parents living with you that you are able to claim as dependents on your tax return.

Special rules apply to children of divorced or separated parents. You can find more information about the rules relating to children of divorced or separated parents in IRS Publication 503, available at your local IRS office or on the IRS Website at [www.irs.gov](http://www.irs.gov) (follow the "Forms and Publications" link).

In addition, if your child day care or adult care provider is your own child or relative, the charges are eligible for reimbursement only if you do not claim the person as a dependent on your income tax return and, in the case of your child, he or she is at least age 19 before the end of the calendar year in which claims were incurred.

## **Which Expenses are Eligible for Reimbursement?**

Dependent care expenses must meet the statutory requirements of IRC § 129. More information about eligible expenses also can be found in IRS Publication 503 available at the IRS Website at [www.irs.gov](http://www.irs.gov) (follow the "Forms and Publications" link). Generally, expenses listed in IRS Publication 503 are eligible expenses under the Dependent Care Reimbursement Account.

Some basic guidelines for eligible DCRA expenses are:

- Expenses must be incurred during the plan year (January 1 through December 31). In addition, you may be reimbursed for dependent care expenses incurred from January 1 through March 15 of the next plan year, from funds set aside in the previous plan year. This period is referred to as the Grace Period. For example, if you set aside \$1,000 in your DCRA for the 2007 plan year and you don't use all of this amount to pay eligible DCRA expenses in 2007, you may use this \$1,000 to pay eligible DCRA expenses incurred during the January 1, 2008-March 15, 2008 Grace Period and you must submit all claims incurred during the Grace Period by June 15, 2008.
- You incur expenses when the care is provided, rather than when you are billed or when you pay for the care.
- If you enroll in the DCRA midyear, expenses incurred before your effective date are not eligible. The effective date is the first day of the month following your enrollment, subject to payroll deadlines.
- Expenses incurred after your participation ends aren't eligible. See "**What If I Go on**

## **a Leave of Absence” or “What If I Terminate from LANS?”)**

**NOTE: Expenses reimbursed under the DCRA may not be deducted on your income tax return.**

### **Eligible Expenses**

The primary purpose of the Dependent Care Reimbursement Account is to provide assistance for the well-being and protection of one or more eligible dependents so that you can work.

Some specific examples of eligible expenses are:

- In-home services provided by a babysitter;
- Services provided by a housekeeper or maid, if that person is responsible for the care of an eligible dependent during the day;
- Services provided by a day care facility for children, including summer day camp (the facility must be licensed if it provides care for more than six individuals who do not normally reside there);
- Services provided by a day care facility for adults (the facility must be licensed if it provides care for more than six individuals who do not normally reside there);
- Care provided outside your home (if the eligible dependent is over age 13, he or she must be unable to care for himself or herself and spend at least eight hours per day in your home); and
- Any taxes you pay as the employer of a dependent care provider.

### **Ineligible Expenses**

Examples of ineligible Dependent Care Reimbursement Account expenses are:

- Payments to any individual who is your or your spouse’s dependent under the age of 19 at the end of the calendar year in which the expense is incurred or paid;
- Expenses for which you have claimed the dependent care tax credit under IRC § 21;
- Expenses incurred before you became a participant in the Dependent Care Reimbursement Account:
- Amounts paid to provide food, clothes or education (certain exceptions may apply);
- Services outside your home at a camp where your child, disabled spouse or dependent stays overnight;
- Transportation to and from the place where care is provided;
- Educational expenses for dependent children in kindergarten or above; and
- Expenses incurred for care of your domestic partner or domestic partner’s child.

Be aware that expenses submitted for reimbursement to the DCRA must meet IRC regulations. If your dependent care expenses are not clearly eligible, SHPS may ask you to submit additional information to help determine whether the reimbursement is allowed. In some cases, you may need a statement from your tax advisor verifying that the expense in question is eligible for reimbursement. Information on eligible and ineligible expenses

can be found on SHPS' Website ([www.myshps.com](http://www.myshps.com)). For additional information, consult your tax advisor.

**You are responsible for making sure all expenses submitted for payment under the DCRA are eligible for reimbursement.**

## **How Much Can I Contribute to My Dependent Care Reimbursement Account?**

Your maximum annual contribution to the Dependent Care Reimbursement Account depends on your marital and income tax filing status, as indicated below. For single participants, the maximum contribution is generally \$5,000 per year. For married participants, the maximum contribution is generally \$5,000 per year if filing tax returns jointly, and \$2,500 per year if filing tax returns separately. See the chart below for more details. *Note that spouses who both work (for LANS or another employer) may contribute no more than \$5,000 per year per couple to the DCRA.*

<b>If You Are....</b>	<b>You May Contribute <i>the lesser of ...</i></b>
Single	\$5,000; or your annual income
Married, filing a joint tax return	\$5,000; or your annual income; or your spouse's annual income
Married, filing separate tax returns	\$2,500; or your annual income; or your spouse's annual income
Married and your spouse is physically or mentally incapable of caring for him/herself <i>or</i> is a full-time student for at least 5 calendar months per year	\$250 per month (up to \$3,000 per year) for <i>one</i> qualifying dependent; or \$500 per month (up to \$5,000 per year) for <i>two or more</i> qualifying dependents

It's important that you estimate your dependent care expenses carefully, as you will forfeit any contributions you can't claim as described in the General Information section.

## **How Do I File Claims?**

You can complete a claim form online, print it out, sign it, and then mail it or fax it, along with the appropriate documentation to the address or fax number on the form. You can get a copy of the claim form at the SHPS Website ([www.myshps.com](http://www.myshps.com)) or by calling SHPS' toll-free number at (877) 270-3915.

You must submit claims yourself - claims submitted by a spouse or other family member will be returned. The claim form must be signed by you, and must include the date of the service, the name of your dependent, and the provider's tax identification number. You

must certify on the claim form that your expenses are eligible under the program and have not been submitted for reimbursement under any other program.

With your claim, include a receipt of services rendered from the provider. Be sure to submit copies only. SHPS does not return or keep copies of bills or receipts. SHPS will not accept cancelled checks in lieu of a bill or receipt.

With the Dependent Care Reimbursement Account, you have access to the total amount you have contributed year-to-date, less reimbursements previously made. *This is different from the Health Care Reimbursement Account, which permits you to access your entire annual election amount regardless of your contributions to date.*

## **Is there a Claim Appeal Process for Dependent Care Reimbursement Account Benefits?**

For information about claim appeals under the Dependent Care Reimbursement Account contact SHPS at (877) 270-3915.

## **What if I Go on a Leave of Absence?**

If you go on leave of absence, your contributions to the Dependent Care Reimbursement Account stop. Your participation ends at the end of the month following your last active pay period.

While on leave, you may continue to submit claims for eligible expenses incurred before your participation ends. Expenses incurred during the leave after your participation ends are not eligible for reimbursement.

## **What Happens When I Return to Work Following a Leave of Absence?**

If your participation in the Dependent Care Reimbursement Account ends during a leave of absence and you return to work within the same plan year, you may re-enroll in the DCRA for the remainder of the plan year. You must re-enroll within 31-days after you return from a leave.

If you return to work within the same plan year, the length of time you were on leave will effect your re-enrollment options, as follows:

- If you were on leave less than 120 days, your monthly contribution must be the same as before you were on leave.
- If you were on leave for 120 days or more, you may select a new monthly contribution.

In order to re-enroll in the DCRA when you return from leave, you must complete a DCRA/HCRA change or cancellation form within 31 days of your return to active pay

status, or you will not be able to re-enroll.

Forms are available from the LANS Benefits office or on the *LANL Benefits Website for Employees*: <http://www.lanl.gov/worklife/benefits/forms.shtml>.

## **What If I Terminate from LANS?**

Your automatic contributions to the Dependent Care Reimbursement Account continue only as long as you remain on active pay status. If you terminate from LANS, your participation ends at the end of the month following your last active pay period.

You may submit claims for eligible expenses incurred through the last day of participation in the DCRA. Expenses incurred after this date are not eligible for reimbursement.

## **What If I Return to Work at LANS After Termination?**

If you are rehired by LANS and choose to re-enroll in the DCRA for the remainder of the plan year, you may do so within 31 days of your return to active pay status.

If you return to LANS within the same plan year, the length of your break in service from LANS will effect your re-enrollment options, as follows:

- If you were terminated from LANS less than 120 days, your monthly contribution must be the same as before you were on leave.
- If you were terminated from LANS for 120 days or more, you may select a new annual contribution.

In order to re-enroll in the DCRA, you must complete a DCRA/HCRA change or cancellation form within 31 days of your return to work, or you will not be able to re-enroll.

Forms are available from the LANS Benefits office or on the *LANL Benefits Website for Employees*: <http://www.lanl.gov/worklife/benefits/forms.shtml>.

## **Can I Elect COBRA Continuation for DCRA If I Stop Working for LANS?**

No. You cannot continue your participation in the Dependent Care Reimbursement Account through COBRA.

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