

Health Care Savings Plan (HCSP) ADVISOR

Administered by Minnesota State Retirement Systems (MSRS)

January 2011

Health Care Reform to have impact on HCSP

Beginning January 1, 2011, as a result of the Federal Health Care Reform that was signed into law in 2010:

- **Over-the-counter drugs/medications are no longer reimbursable without a prescription.** This includes items such as cold and flu medicine, aspirin, antacids and allergy medicine.

The new law does not apply to any over-the-counter items that are not drugs or medications, including contact lens solution, reading glasses, medical equipment such as crutches, medical supplies such as bandages, and diagnostic devices such as blood sugar kits. These items will continue to be reimbursable without a prescription.

Requests for reimbursement of over-the-counter drugs/medications

purchased on or after January 1, 2011 must be accompanied by a prescription, as well as documentation of the expense incurred.

- **Participants may request reimbursements for their adult children's eligible health care expenses up to the child's 26th birthday.** Under the new law, "child" includes biological, adopted, step and foster children. The young adult does not have to be a legal tax dependent and can qualify regardless of marital status, status as a full-time student, or place of residence.

The reimbursement extension does not extend to young adults with access to their own or their spouse's medical insurance coverage, nor does it extend to a young adult's spouse or children.



This change will have no federal tax implications; however, it is unknown at this time whether there will be a state tax liability.

If you have questions regarding these changes, please contact MSRS.

OTC reimbursement grace period

Over-the-counter drugs/medications purchased prior to January 1, 2011 will be reimbursed from HCSP without a prescription until December 31, 2011. Requests must be accompanied by documentation that indicates the date of purchase.

Important HCSP Reminders

- HCSP is a tax-free account. Contributions are not reportable on your income tax returns. Reimbursements are not subject to state and federal income taxes.
- If you receive ongoing reimbursements of medical insurance premiums, be sure to notify MSRS of any premium or provider changes. Please complete a *Reimbursement Request** form and provide documentation of your premium/provider change.
- If you plan to contribute to an HSA in 2011 and are eligible to access your HCSP funds due to termination or retirement, be sure to complete a *Reimbursement Suspension Election** form for calendar year 2011.
- Effective January 1, 2011, the reimbursement limit has increased to \$23,000. The limit does not include medical, dental or long-term care insurance premium reimbursements.

* Forms are available at www.msrs.state.mn.us

Working together to keep your personal data private

The privacy of your personal data is important to us. Please be assured that Minnesota State Retirement System (MSRS) does not share your personal, medical or account information with anyone but you, the participant.

Protecting your account information

Before MSRS will discuss a participant's account, callers are asked to answer a series of security questions to verify their identity. Only after we are satisfied that we are speaking with the participant will we discuss account information or process account changes.

All other callers – including your spouse, children or financial planner – may not obtain account information unless you provide verbal consent each time you call or have a properly designated Power of Attorney on file with MSRS.

An additional level of security can be added to your account through the use of a password known only to you. Each time you call, in addition to our regular security screening, you will be asked to identify your password.



Protecting your medical information

Your medical information is protected by the same patient confidentiality laws that protect your medical records. Be assured that any private information you provide to substantiate your reimbursement request is never shared with others.

Your personal information is your business and we respect and will protect your privacy.

Know Your Plan

True or False

- Upon my death, my spouse is automatically entitled to any remaining account balance.
- I should list my spouse as the beneficiary.
- A designated beneficiary cannot supersede my spouse.

Answers:

- True.** Any remaining account balance is transferred to an account in your spouse's name to be used for tax-free reimbursements of out-of-pocket medical expenses.
- False.** Upon your death, your spouse is automatically entitled to the account balance and therefore, it is not necessary to list them as a beneficiary.
- True.** The beneficiary is eligible to access the remaining balance for reimbursements only if there is no spouse or legal tax dependent(s).

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HCSP Statistics

- Over \$361 million in assets (as of 11/30/2010)
- More than 450 participating employers
- Approximately 68,000 active participant accounts