



Health Care Savings Plan At-A-Glance



Our **TAX-FREE** Solution



The Health Care Savings Plan

is an employer-sponsored program that allows Minnesota Public employees to invest money in a medical savings account while employed. This plan is administered by the Minnesota State Retirement System (MSRS).

How It Works

You are automatically enrolled and contribute to the Health Care Savings Plan (HCSP) as directed by the bargaining agreement or personnel policy of your employer. You choose how your account balance is invested. After you end employment, you may access the funds to reimburse eligible medical expenses incurred by you, your spouse, legal tax dependents and adult children up to their 26th birthday. An administrative fee is charged to help pay for the cost of plan services. This fee is prorated and deducted monthly from your account balance.

HCSP is a **TAX-FREE** Account!

More of your money works for you in an HCSP account because you don't pay taxes on contributions or reimbursements. Here is an example showing how you benefit from **TAX-FREE** savings assuming a severance payment of \$10,000.

Severance Paid to HCSP Account	
Severance Payment	\$10,000
Federal Income Tax	\$ - 0
State Income Tax	- 0
FICA Tax	- 0
<hr/>	
\$10,000	
Net Contribution to HCSP	

Severance Paid in Cash	
Severance Payment	\$10,000
Federal Income Tax	\$ -2,200
State Income Tax	- 705
FICA Tax	- 765
<hr/>	
\$6,330	
Net Payout in Cash	

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This hypothetical example assumes a 22% federal tax withholding rate, a 7.05% state tax withholding rate and a 7.65% FICA (Social Security and Medicare) tax rate.

Individual tax rates may vary based on total taxable income and filing status for the year.



Did you know your HCSP contributions and reimbursements from the account are not reportable on federal or state income tax returns?



How are Your Contributions Invested



Contributions are automatically invested in the **Money Market Fund**. Once your account is established, you have the freedom to choose your investment mix at any time. You can also transfer all or a portion of the existing account balance among any of the investment options offered by the plan. Restrictions may apply.

HCSP Investment Options



You can invest your contributions in any combination of the available investment options.



Learn more online:

www.msrs.state.mn.us/hcsp-investment-options.

Investment Options

T. Rowe Price Small Cap Stock Fund	<p>Higher Risk/Potential Reward</p> <p>Lower Risk/Potential Reward</p>	<p>Carefully consider the investment option's objectives, risks, fees and expenses. To obtain a prospectus, summary prospectus or disclosure document, as available, containing this information contact MSRS. Read them carefully before investing.</p> <p>  Visit online at: www.msrs.state.mn.us </p> <p>  Call the MSRS Service Center: 1.800.657.5757 or 651.296.2761 </p>
Vanguard Total International Stock Index Fund		
Vanguard Mid Cap Index Stock Fund		
Vanguard Total Stock Market Index Fund		
Vanguard Dividend Growth Fund		
Vanguard Balanced Index Fund		
Dodge & Cox Income Fund		
Vanguard Total Bond Market Index Fund		
Stable Value Fund		
Money Market Fund		

You could lose money by investing in the Money Market Fund. Although the Fund seeks to preserve the value of your investment at \$1 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Investing involves risks, including possible loss of principal. Stock funds have greater risk than bond funds and bond funds have greater risk than capital preservation funds. Investing in foreign investments increases risks due to currency fluctuations, taxation differences and political developments. Bond funds are subject to interest rate, inflation and credit risks associated with the underlying bonds.

Eligibility Requirements for Reimbursements

You can access your HCSP account for reimbursement of eligible medical expenses when you:

- ▶ Separate from service at any age
- ▶ Retire
- ▶ Collect a disability benefit from a Minnesota public pension plan

Only eligible medical expenses incurred after you leave public employment can be reimbursed. You pay the bill and then submit a Reimbursement Request form with appropriate documentation of expenses to MSRS. Your reimbursement will then be mailed to you or electronically deposited into your bank account.

Inheriting the Balance of an HCSP Account

Upon your death, any remaining HCSP account balance is transferred to an heir. The assets are placed in an HCSP account for your survivor and must be used for the reimbursement of healthcare-related expenses.

Who inherits the account balance?

- 1 Spouse** - Automatically inherits 100% of the remaining balance. Reimbursements to a spouse are tax-free.
- 2 Legal tax dependents** - The balance is divided equally among your dependents. Reimbursements to a dependent are tax-free.
- 3 Beneficiaries** - If you are not survived by a spouse or dependent, your named beneficiary will inherit the balance. Reimbursements to a beneficiary are taxable income.

Reimbursements are always paid to **YOU**. MSRS never pays the medical provider.



Benefits of the Health Care Savings Plan



Post-Employment Account

After you end public employment, you can request reimbursements for eligible healthcare expenses regardless of your age. Reimbursement of expenses is available for you, your spouse, dependent children and adult children up to age 26.



Reimbursement of Out-of-Pocket Medical Expenses

The HCSP provides reimbursement of insurance premiums and other medical expenses not covered by your insurance. Using the tax-free dollars accumulated in your HCSP account to reimburse out-of-pocket medical expenses may help provide significant savings for you and your family.



Choose How Your Funds are Invested

Contributions are automatically invested in the Money Market Fund. You have the freedom to change your investment mix at any time.



Account Balances Always Transfer to a Beneficiary

Upon your death, any remaining account balance will transfer to an HCSP account for your spouse, dependents or a designated beneficiary.

Most Common **Reimbursable** Expenses

- Premiums for medical, dental and long-term care insurance
- Medicare Part B, C and D premiums
- Insurance deductibles and co-pays



- Prescription drug co-pays
- Eye-care expenses
- Dental expenses
- Chiropractor and acupuncture



To learn more see: www.msrs.state.mn.us/eligible-expenses.

View IRS Publication 502 Medical and Dental expenses at: www.irs.gov

NOTE: The current IRS Publication 502 supersedes MSRS documentation regarding reimbursable health care-related expenses.

Frequently Asked Questions



Can I opt out of the HCSP?

You may opt out if you:

- Are eligible for TRICARE retiree insurance benefits
- Have a service-connected disability
- Are a foreign national who plans to return to your country of origin after you end employment
- Have comprehensive health insurance coverage provided for life that is at least 70% paid for by an employer. The coverage must be provided by a source other than your current employer who sponsors your HCSP.
- Are a Native American eligible for tribal insurance coverage.

Once you opt out of participation in the HCSP, you cannot enroll at any time in the future.

What federal and state laws govern the HCSP?

The HCSP is a tax-exempt section 115 Governmental Integral Part Trust. The HCSP assets can only be used for post-employment medical expenses. The trust was approved by an IRS private letter ruling, which ensures the tax-exempt status. Minnesota Statutes, Chapter 352.98 authorizes Minnesota State Retirement System (MSRS) to offer the HCSP to governmental employees who work for a city, county, school district, political subdivision or the State of Minnesota.

Can I have multiple medical savings plans?

Yes, you may invest in multiple tax-advantaged medical savings plans such as a Health Savings Account (HSA), Health Reimbursement Account (HRA) or Flexible Spending Account (FSA). However, you cannot be reimbursed for the same expense from more than one savings plan or deduct a reimbursed expense on your federal income tax return.

How much are administrative fees?

The annual administrative fee is 0.65 percent of your account balance. This fee is prorated and deducted monthly from your account balance. The maximum annual fee is \$140 (or \$11.67 per month). Fees are subject to change.

How do I monitor my account?

There are several ways to monitor and access your account.



Statements - A summary of your account information will be available online or mailed to you quarterly.



Online 24/7 Access - Manage your HCSP account anytime and as often as you like.



Phone - Speak with an MSRS representative Monday through Friday from 8:00 a.m. to 4:30 p.m.

Contact Us – We're Here To Help!



Phone: **1.800.657.5757** or **651.296.2761**

Web: **www.msrs.state.mn.us** Email: **info@msrs.us**

Address: **60 Empire Drive, Suite 300 St. Paul, MN 55103**

Hours: **Monday – Friday, 8:00 a.m. - 4:30 p.m.**

The Health Care Savings Plan (HCSP) is administered by Minnesota State Retirement System (MSRS).

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I have a partial answer to whether mileage and hotel are eligible reimbursements. In IRS Publication 502, it look like both mileage and hotel for necessary medical care is eligible. I am attaching the eligible HCSP expenses document that MSRS publishes, but it is IRS Publication 502 that has an extensive list of expenses.

I think I also answered the question about whether gym membership is an eligible reimbursement with a doctor's note; it is.

The question about using HCSP after returning to work is complicated. So I have also attached the Return to Work Decision Tree.

Sarah

SARAH FISCHER

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The following is a list of the most common reimbursable/non-reimbursable medical expenses. Please refer to IRS Publication 502 for a more detailed list. The current IRS Publication 502 always supersedes MSRS documentation regarding reimbursable health-care related expenses.

Reimbursable Health Care Expenses

- Acupuncture
- Alcoholism or drug dependency treatment and treatment centers
- Ambulance
- Artificial limbs and teeth
- Bandages (Band-aids, elastic wrap)
- Birth control pills and devices
- Blood pressure monitoring devices
- Braille books and magazines (to the extent exceeding prices for regular books and magazines)
- Car (with special medical equipment)
- Childbirth preparation classes for mother, excluding portion for mother's coach
- Co-insurance (health, dental and vision)
- Co-payments (health, dental and vision)
- COBRA premiums
- Cold/hot packs
- Contact lenses, solution and cleaners
- Contraceptives
- Crutches
- Dental treatment, including dentures, implants and orthodontia (excluding whitening)
 - Diabetic supplies
- Diagnostic devices/services (e.g., MRI, CT Scan)
- Drugs/medications (prescription)
- Eye examination
- Eyeglasses - prescription & reading
- Eye surgery (laser or radial keratotomy)
- Fees to doctors or hospitals for:
 - Anesthesiologist
 - Chiropractor
 - Christian Science practitioner
 - Clinic
 - Dentist
 - Dermatologist
 - Gynecologist
 - Midwife
 - Neurologist
 - Obstetrician
 - Ophthalmologist
 - Optometrist
 - Osteopath, licensed
 - Pediatrician
 - Physical examination
 - Podiatrist
 - Practical nurse
 - Psychiatrist³
 - Psychoanalyst³
 - Psychologist³
 - Sex therapist
 - Surgeon
- Fertility treatments¹
- Guide dog and its upkeep
- Hearing aids and batteries
- Home modification to accommodate handicapped person¹
- Hospital services
- Incontinence supplies
- Insulin and diabetic supplies
- Insurance premiums for medical, dental, vision, or long-term care²
- Laboratory fees
- Lactation supplies
- Lip-reading lessons
- Lodging for medical care¹
- Long-term care services and premiums¹
- Mastectomy bras
- Medical supplies
- Medicare Part B, C and D premiums
- Medications which require a prescription
- Menstrual care products
- Mental institution care (mentally ill person unsafe when left alone)
- Mentally handicapped, special home for
- Nursing services¹
- Nursing care
- Nursing home (if for medical reasons)
- Organ transplant, medical expenses of donor or prospective donor
- Orthodontia
- Orthopedic shoe inserts
- Over-the-counter drugs (OTC)
- Oxygen equipment, including CPAP
- Physical therapy
- Pregnancy test kits
- Prescription drugs/medications
- Rehydration solution (e.g., Pedialyte)
- Rental of medical equipment¹
- Smoking cessation programs
- Special schooling for physically or mentally handicapped
- Speech therapy
- Spousal or personal insurance premiums
- Sterilization, legal
- Surgery and related treatment (except cosmetic)
- Telephone for hearing impaired
- Television closed caption decoder equipment which displays the audio part of TV programs for hearing impaired
- Therapy received as medical treatment
- Thermometers
- Transportation expenses for essential medical care, including mileage and parking¹
- Tuition at special school for special needs program¹
- Vaccinations
- Vasectomy
- Wheelchair
- Wrist/joint supports
- X-rays

¹ See IRS Publication 502 for guidelines.

² Insurance must be paid after-tax and cannot provide a cash benefit.

³ Must be for medical care only.

Reimbursable Health Care Expenses with Physician's Note

The following health care items have a dual use and can only be reimbursed from HCSP if a written prescription or Letter of Medical Necessity form signed by a qualified medical practitioner* specifies: a) the name/type of treatment and b) the specific medical condition requiring the treatment/expense. The prescription must be dated prior to purchasing the dual use item. The practitioner must update the prescription on an annual basis to continue to be eligible for reimbursement.

- Aspirin
- Acne treatment
- Chondroitin (arthritis)
- Compression socks
- Diaper service
- Dietary supplements
- Fees for exercise, athletic or health club membership
- Fiber supplements
- Fish oil
- Glucosamine (arthritis)
- Herbalist
- Hormone therapy (bioidentical/compounding)
- Lactose intolerance pills (e.g., Lactaid)
- Massage therapy; if prescription indicates length of time needed and number of treatments needed
- Nasal sprays/strips for snoring
- Nutritional supplements
- Orthopedic shoes, limited to one pair per prescription; only excess of cost over \$100
- Prenatal vitamins
- Preservision
- Shampoo and soaps, medicated
- Sunscreen
- St. John's Wort (depression)
- Vitamins and minerals
- Weight loss program (does not include food)
- Wig (hair loss due to disease)

Non-Reimbursable Health Care Expenses

Expenses solely for cosmetic purposes or merely beneficial to one's general health or well-being are not reimbursable.

- Antiperspirant/deodorant
- Any charges incurred prior to reimbursement eligibility
- Any illegal treatment
- Blemish concealer
- Cancer insurance
- Chapstick/lip balm
- Cosmetics
- Cosmetic surgery, electrolysis, and hair transplants that are not medically necessary
- Cost of illegal drugs, even if physician directed
- Cost of remedial classes for non-handicapped child
- Cotton balls/swabs
- Dental floss
- Denture care products
- Face creams
- Finance charges
- Funeral expenses
- Hair growth/removal products
- Health insurance premiums deducted on a pre-tax basis
- Hospital idemnity insurance
- Hot tub
- Life insurance
- Marriage counseling
- Maternity clothes
- Meals (including weight loss programs)
- Mouthwash
- Nicotine patches, gum, lozenges
- Powder, baby or talcum
- Shampoo
- Suntan and skin lotion
- Swimming lessons
- Teeth whitening products/procedures
- Toothpaste/toothbrushes

***Qualified medical practitioner** - we can accept prescriptions or written documentation from the following practitioners:

- Medical Doctor
- Nurse Practitioner
- Chiropractor
- Physician Assistant
- Ophthalmologist
- Dentist
- Osteopathic Doctor (licensed)

Questions?



Phone: 1.800.657.5757 or 651.296.2761

HCSP Fax: 651.282.9909

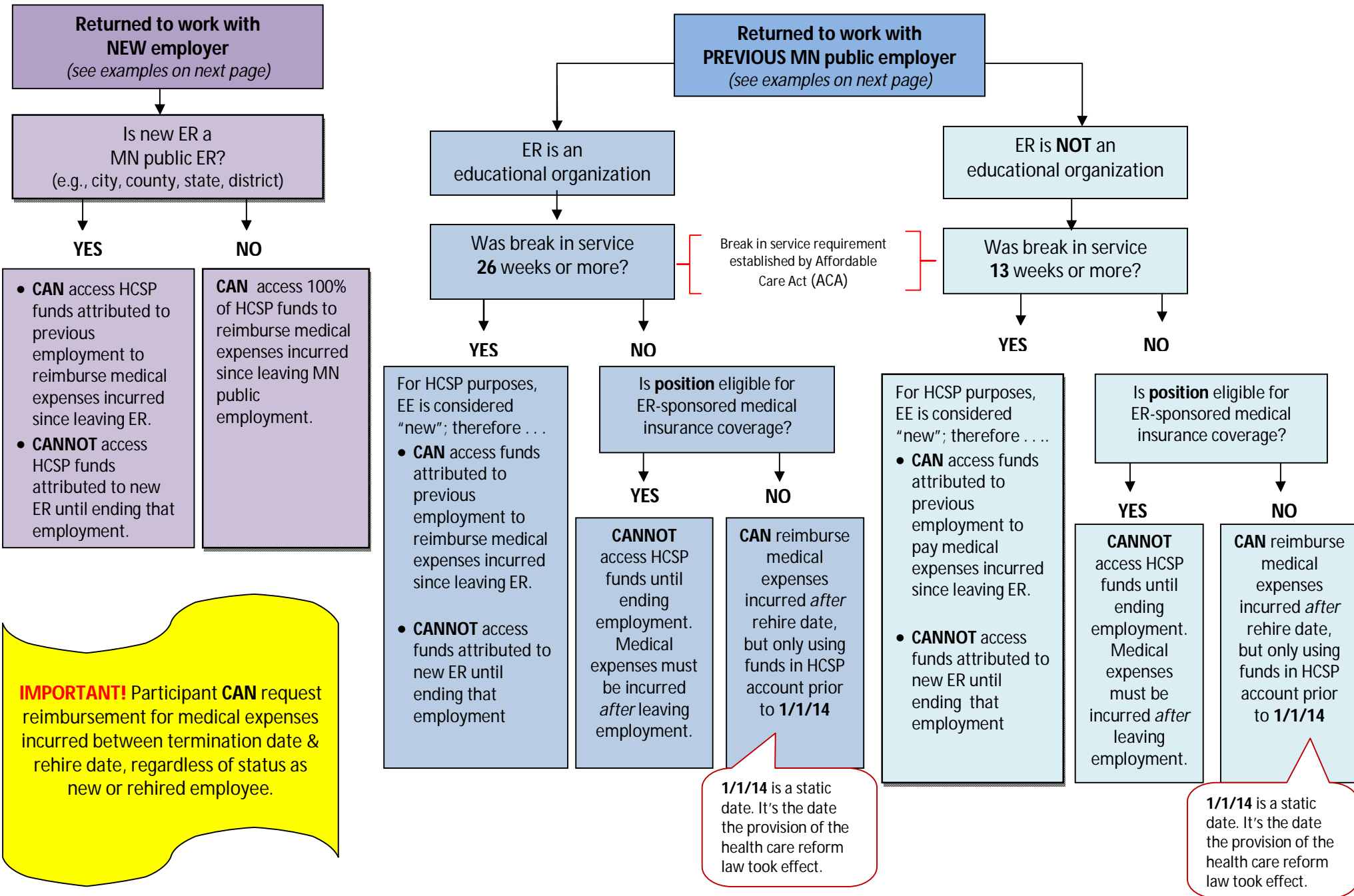
Web: www.msrs.state.mn.us

Email: info@msrs.us

In Person: 60 Empire Drive, Suite 300
St. Paul, MN 55103

Returning to Work: HCSP Reimbursement Eligibility

Use this decision tree determine if an employee is eligible to access their HCSP funds when they return to work.



“NEW” Employer - Examples

- Rehired by previous Minnesota public ER; break in service is at least **13 weeks** (if ER is NOT an educational organization) or **26 weeks** (if ER is an educational organization).
- Minnesota public ER, but employee has never worked for this ER (example: change from city to county government).
- Minnesota public ER, but employee returned to work as a contractor.
- Employer is not a Minnesota public ER, for example:
 - Private industry
 - Federal government
 - Public ER in another state.

“PREVIOUS” Employer - Examples

- Rehired by previous Minnesota public ER; break in service is **less than 13 weeks** (if ER is NOT an educational organization) or **less than 26 weeks** (if ER is an education organization)
- Return to work under a State of Minnesota’s PRO Agreement or PERA's Phased Retirement Option.
- Rehired by EE’s former school district as substitute teacher.
- State of Minnesota EE who returns to work with another state agency (example: changing from DOT to DEED).
- MNSCU EE who returns to work, at same or different campus (example: changing from Mankato to St Cloud).
- Same public ER but return to work in different job resulting in change in bargaining unit affiliation or retirement plan coverage (e.g., change from TRA to PERA).

IMPORTANT! Number of hours or days worked has no impact on the status as a previous employer.