Qualified High Deductible Health Plan with Health Savings Account (HDHP-HSA)

This supplement is designed to answer questions about the Consumer Driven Health Plan that is commonly referred to as a ***qualified*** HDHP with an HSA offered to AURA employees in 2014. We must stress that the HDHP-HSA combination is very different in many respects from the OAP plan. This plan may be attractive to a wide range of employees and offers some unique benefits. Employees should be well informed prior to selecting the plan. If you currently participate in a Healthcare FSA you should also read the information about the Limited Purpose FSA accounts for employees who have an HSA plan.

The Consumer Driven plan consists of two parts. The HDHP is the "insurance" part and the HSA is the "savings account" part. Both parts are subject to regulations of the U.S. Treasury Department. The following information is designed to help give a more thorough understanding of how the two parts work together and how the regulations affect the plans.

DEDUCTIBLES – EVERYTHING APPLIES (ALMOST)!

The Internal Revenue Code requires that a ***qualified*** plan have a deductible of at least $1,250 for single coverage and a minimum of $2,500 family deductible for 2014. For those that have family coverage the family deductible works differently than on the other plans. If you are covering dependents under the HDHP plan, the family deductible must be met before any benefits begin to pay for any family member.

The deductible must apply to all services except for in-network preventative care. Preventative care includes, but is not limited to:

- Preventive health evaluations (e.g., annual physicals)
- Screening services (e.g., mammograms, screening colonoscopy)
- Routine well-child care
- Child and adult immunizations
- Certain generic medications defined as preventative (see separate list)

SCENARIO 1

George is enrolled for the HDHP-HSA Plan and covers his wife Susan and two daughters, Jean and Joanne. George has one office visit in 2014 and the discounted cost of $100 is applied to the Deductible. His daughter Joanne has several office visits and some prescriptions, which George pays for, totaling $1,400. Susan has a surgery later in the year and still needs to meet $1,100 of the family deductible before benefits begin. ($100+$1,400+$1,100 = $2,500)

Even though Joanne was over the "Single" deductible they had not met the "Family" deductible yet.

SCENARIO 2

Lisa is enrolled for the HDHP-HSA Plan for single coverage. Lisa rarely needs medical care but takes three prescriptions each month that are not generic preventive prescriptions. Lisa's copay under the 2013 OAP plan was $25 per month for each of the prescriptions. When Lisa first fills her prescriptions under the HDHP she is surprised to find that one will cost her $30, one will cost her $45 and one will cost her $200 per month.

Before selecting the HDHP Lisa should check to see how much the actual cost of each prescription will be. Lisa will meet her $1,250 deductible in the first 5 months with prescriptions alone. After that she will pay 0% of each prescription and in-network services.

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Susie has participated in the HealthCare Flexible Spending Account every year. She is interested in the HDHP-HSA but also wants to set aside funds in the FSA account. How does this work?

The regulations allow Susie to enroll in both an HSA and an FSA only if she enrolls in a "Limited Purpose FSA". In general, the limited purpose FSA can only be used for dental and vision expenses. AURA has also included the ability for employees to use the limited purpose FSA for certain post deductible expenses that might be incurred out-of-network. She should adjust the amount she contributes to the FSA to account for this limited coverage.

ESTABLISHING AN ACCOUNT - GETTING THE MONEY IN!

AURA will be contributing $300 for individual coverage and $600 for family coverage to your HSA. An HSA account will be opened at HSA Bank and the contributions will be deposited in a lump sum in January 2014. You may also contribute additional money to your HSA through a pre-tax payroll deduction up to the maximums established by the Internal Revenue Code.

In addition, if you participate in the IH screening in December 2013, AURA will contribute an additional $300 to your HSA. This will be done in a lump sum contribution after the first of the year when AURA receives confirmation from Interactive Health that you have participated.

This account is your personal bank account and once the funds go into the account they are yours. AURA will pay the monthly administration fee charged by HSA Bank for the 2014 plan year. Any other fees that you might incur will be your responsibility – cost of using checks, replacing debit cards, etc. HSA Bank pays interest on the money in your account and allows you to invest the funds after you have a minimum deposit in place.

The maximum contribution for an individual in the 2014 tax year is $3,300 with a maximum for family of $6,550. Family coverage includes: employee plus one and employee plus two or more. An HSA holder who is age 55 and older may contribute up to $1,000 more as a "catch-up" contribution.

GETTING THE MONEY OUT – REIMBURSEMENTS! WHAT EXPENSES ARE ELIGIBLE FOR REIMBURSEMENT FROM AN HSA?

An HSA may reimburse qualified medical expenses incurred by the account beneficiary; his or her spouse or domestic partner; and tax qualified dependents.

- Qualified medical expenses are defined within IRC Sec. 214(d).
- COBRA premiums;
- Health insurance premiums while receiving unemployment benefits;
- Qualified long-term care premiums;
- Any health insurance premiums paid, other than for a Medicare supplemental policy, by individuals age 65 and older.

WHAT EXPENSES ARE NOT ELIGIBLE FOR REIMBURSEMENT FROM AN HSA?

- Premiums for Medicare supplemental policies;
- Expenses covered by another insurance plan;
- Expenses incurred prior to the date the HSA was established

FOR MORE INFORMATION ON HSA's YOU CAN VISIT www.treasury.gov/resource-center

SCENARIO 3

Vicki is enrolled for the HDHP-HSA plan for herself and her husband Pat. Vicki receives an annual well check-up, a mammogram and a screening colonoscopy in 2014. Pat receives an annual preventive check-up. Both take the cholesterol medication - simvastatin. How does their coverage work?

All of the services that Vicki and Pat receive are considered preventative care benefits and they are received in-network. Vicki and Pat pay 0% coinsurance for their preventive care and are not required to meet the deductible for these services because the deductible is waived. Their cholesterol medication is on the Preventive Drug List so they pay nothing for this medication.

SCENARIO 4

John's family uses both Network and Non-Network providers. He is enrolled for employee plus family. How does their deductible work?

The Family Deductible for Network providers is $2,500 and for Non-network providers is $5,000. CIGNA will allow the Network deductible to go toward meeting the Non-network deductible. If John's family used only Network providers they would only have to meet the $2,500 deductible. But if the family then uses a Non-network provider they would have an additional $2,500 to meet before benefits begin for non-network services. In no event could the total family deductible be more than the $5,000 listed for Non-PPO.

SCENARIO 5

Faith is enrolled in the HDHP-HSA plan. Faith has a large expense early in the year and meets her deductible right away. What considerations does she have?

Because Faith has an expense early in the year for her first year on the HDHP she may not have enough saved in the HSA to cover the deductible. The HSA is NOT like an FSA where she can get all the money she intends to put in up front. With the HSA the funds are only available after she has deposited them (either through payroll or directly with HSA Bank) . Faith will have to pay the amount subject to the deductible with other savings. Once she has deposited enough into the HSA she can reimburse herself from the pre-tax funds.

> ***<u>Note: Employees considering the HDHP-HSA should carefully consider their ability to cover the deductible and out-of-pocket costs during the first year when they have not deposited sufficient savings in the HSA.</u>***

SCENARIO 6

Steve is enrolled in the HDHP-HSA with family coverage. He has an office visit with an innetwork Specialist. The physician's office staff tells Steve he must pay for his visit at the time of the visit because they don't see a "copay" listed on his ID card. How should Steve handle this?

Because Steve is using an in-network provider he should ask the provider to file the claim with CIGNA first. Steve is entitled to the OAP discount and the claim has to go through CIGNA to determine how much he owes. Once Steve receives his EOB from CIGNA, he knows how much he should pay the provider. He may then decide if he wants to use HSA funds or use other forms of payment.

WHO IS ELIGIBLE – NO OTHER COVERAGE! (ALMOST)

You are eligible for the HSA if you meet the following criteria for each month of 2014:

- Covered under a **qualified** HDHP on the first day of the month
- Not covered by another health plan
- Not entitled to benefits under Medicare
- Not eligible to be claimed as a dependent on another person's tax return.

Let's review some examples of eligibility situations:

Doug is retired from the Army and receives medical coverage through the Tri-Care program. However, he has always enrolled for coverage under the AURA plan as well as he prefers it. Can Doug be covered under the HDHP-HSA plan?

George could choose to be covered under the HDHP but he is not eligible to open or contribute to an HSA account because he is considered to be covered under another health plan.

Anna is covered under her spouse's plan through his employer. She never uses that plan but likes having the double coverage. Can Anna be covered under the HDHP-HSA plan?

Anna's situation is similar to Doug's. She is not eligible to open or contribute to an HSA account but she can be covered under the HDHP insurance plan.

Kevin's wife covers the family for Accident Insurance through her work. Can Kevin and his family enroll in the HDHP-HSA plan?

Kevin and his family are eligible to enroll in the HDHP and to open an HSA account. These types of coverage, along with Dental and Vision coverage, do not count as other health insurance.

Mary is over 65 and is eligible for Medicare. She has chosen not to enroll in Parts A, B or D and therefore not "entitled" at this time.

Eligibility for Medicare does not make Mary ineligible to contribute to an HSA. Because she is not enrolled in Parts A, B or D or a Medicare Advantage plan she may contribute until the month in which she enrolls in a Medicare program.

Scott covers a domestic partner under the HDHP plan. Can Scott contribute to his HSA as a family and reimburse his domestic partner's healthcare expenses from his HSA?

Yes, Scott can contribute to the "family" limit to his HSA account. However, the status of his domestic partner needs to be examined carefully because the medical expenses of a non-tax dependent domestic partner cannot be reimbursed on a tax-favored basis. Scott should consult his tax consultant on this issue.