2020 Benefits Open Enrollment

High Deductible Health Plan (HDHP) with Health Savings Account (HSA) Deep Dive

LEWIS & CLARK COLLEGE

AGENDA

- What is a High Deductible Health Plan (HDHP) with Health Savings Account (HSA)?
- What does the Added Choice HDHP look like?
- What is a Health Savings Account (HSA)?
- How much can be contributed to the HSA?
- Who is eligible for the HSA?
- When can you spend your HSA funds?
- What can you spend your HSA funds on?
- Is the HDHP with HSA right for me?

WHAT IS A HDHP with HSA?

An IRS-qualified, High Deductible Health Plan (HDHP) is a different way to pay for medical coverage, especially when you combine it with a Health Savings Account (HSA).

The HDHP benefit plan is offered through Kaiser Permanente and includes the Added Choice network.

How the plan works:

- Deductible first:
    - You pay 100% of the cost until you hit the deductible
    - With the exception for preventive care which is still covered for free
    - The family deductible is a “true family deductible” meaning you must meet the family deductible level before the plan pays for expenses. There is no “individual” deductible embedded.
- After you have met your Deductible:
    - After you have reached your deductible you pay a cost sharing amount of a percentage coinsurance or a copay for your medical services until
    - When you reach your out of pocket maximum, then the plan covers 100%.
- Once the Out of Pocket Maximum has been met the plan pays 100%:
    - **Out of Network (tier III) providers do not have contracts in place with Kaiser/First Choice First Health. As a result these providers can charge more when you see them for care. The plan (specifically tier III) will only cover the equivalent to the contracted rate and you may be subject to pay the remaining balance (*balance billing).* The balance billed amounts you pay over and above the allowed charges do not accumulate toward your deductible or out of pocket maximum.**

The HSA bank account will be administered through Allegiance and can be used to pay for eligible medical, dental and vision expenses.

Added Choice High Deductible Health Plan

Covered service	TIER 1 Kaiser Permanente & The Portland Clinic	TIER 2 PPO Providers (First Choice Health Network)	TIER 3 Out of Network/Non-Participating (All other providers)
Annual deductible	$1,500 ind. or $3,000 family	$2,500 ind. or $5,000 family	$3,500 ind. or $7,000 family
Out-of-pocket max	$2,500 ind. or $5,000 family	$4,000 ind. or $7,350 family	$5,000 ind. or $10,000 family
Routine Preventive	$0 (deductible does **NOT** apply)	$0 (deductible does **NOT** apply)	30% after deductible
Office visits	10% after deductible	20% after deductible	30% after deductible
Specialty visit	10% after deductible	20% after deductible	30% after deductible
Urgent Care	10% after deductible	20% after deductible	30% after deductible
Lab tests & x-ray	10% after deductible	20% after deductible	30% after deductible
CT, MRI, Pet scans	10% after deductible	20% after deductible	30% after deductible
Emergency Room	------------- 10% after deductible ------------		
Inpatient Hospitalization	10% after deductible	20% after deductible	30% after deductible
Outpatient Surgery	10% after deductible	20% after deductible	30% after deductible
Pharmacy *After deductible	Generic $15 copay, Preferred Brand $30 copay, Non-Preferred Brand $50 copay (**Mail Order 2x's retail**)	Generic $20 copay, Preferred Brand $40 copay, Non-preferred Brand $60 copay (**Mail Order 3x's retail**)	

- Employees may move freely across tiers and pay the cost shares associated with each service within that tier.
- Employees may bring in orders for Prescriptions, MRI, Lab & Durable Medical Equipment into KP for Tier 1 cost sharing as a way to test the KP experience and save money.
- Tier 2 is a **national** network. Emergency services (worldwide) fall under Tier 1.

Added Choice High Deductible Health Plan - Alternative Care

Deductible applies for all services on High Deductible Health Plans

Covered service	TIER 1 CHP Group	TIER 2 PPO Providers (First Choice Health Network)	TIER 3 Out of Network / Non-Participating (All other providers)
Alternative Care	$1,500 Combined Benefit Maximum per Year		
Acupuncture	$15 copay	$15 copay	$15 copay
Chiropractic	$15 copay	$15 copay	$15 copay
Massage (12-visit limit per year)	$25 copay	$25 copay	$25 copay
Naturopathy	$15 copay	$15 copay	$15 copay

- Self-Referred benefit (no physician referral required)
- After $1,500 or 12-visit limit has been reached, 20% member discount provided on Tier 1 for any additional services during that calendar year.
- CHP Group alternative care network – chpgroup.com

Added Choice High Deductible Health Plan - Vision

vision essentials by KAISER PERMANENTE®

Deductible applies to eye exam, but NOT hardware on High Deductible Health Plans

Covered service	TIER 1 Kaiser Permanente & The Portland Clinic	TIER 2 PPO Providers (First Choice Health Network)	TIER 3 Out of Network/ Non-Participating (All other providers)
Pediatric Eye Exam (up to age 19)	$0 copay	$0 copay	40% after deductible
Pediatric Vision Hardware (up to age 19)	No charge for eyeglass lenses, frames, or contact lenses every 12 months.		50% coinsurance
Adult Eye Exam	$15 copay	$25 copay	40% after deductible
Vision Hardware	Initial allowance of up to $250 for eyeglasses or contact lenses, not more than once every 12 months.		

How the Calendar Year Renewal works:

12 Month Renewal

Every year on January 1st the hardware benefit renews and is available for use, regardless of last date of usage.

Example:
Member has a plan that renews every 12 months on a calendar year basis. The member purchased eyeglasses on 8/24/18. When would the benefit renew?

The benefit would renew on 1/1/19.

WHAT IS AN HSA?

A health savings account (HSA) is a tax advantaged savings account that an individual can use to pay medical expenses

- It must be used in conjunction with an IRS-qualified, High Deductible Health Plan (HDHP)
- An individual/employee owns the account but both the employee and the employer can contribute funds

- **Triple Tax-advantage:**
  - Contribute pretax money through payroll deductions
  - Funds accrue tax-free and be invested tax free
  - Funds can be withdrawn tax-free (if used for eligible medical expenses)

Other benefits of HSAs

- Funds roll over each year, so an individual can use their HSA to save tax-free money for retirement
- The employee owns the account, even if they leave the company
- When you retire, you can use the funds for all types of expenses – they remain tax favored for qualified medical, dental and vision services and you pay income tax on expenses that are non-qualified
- **For eligible employees enrolling for April 1, Lewis & Clark will contribute money into your HSA**

HOW MUCH CAN BE CONTRIBUTED?

- Each year, the IRS sets contribution limits
  - These limits are for the total funds contributed, including employer contributions, employee contributions and any other additional contributions

	Employee Only Coverage	Employee + 1 or More Dependents
2020 IRS Pre-Tax Limit	$3,550.00	$7,100.00
Add'l Catch Up for age 55+	*$1,000.00*	*$1,000.00*
L&C Contribution Initial Seed Maximum Monthly Match <u>Maximum Annual L&C Contribution</u>	 $375.00 $31.25 (x12) <u>$750.00</u>	 $750.00 $62.50 (x12) <u>$1,500.00</u>
Remaining for Employee Contributions (under age 55) Maximum	**$2,800 ($233.33 per month)**	**$5,600 ($466.66 per month)**
Remaining for Employee Contributions (age 55+) Maximum	**$3,800 ($316.66 per month)**	**$6,600 ($550.00 per month)**

- An individual is allowed to contribute the full annual amount when first becoming eligible for the HSA, as long as they are still eligible on the first day of the last month of the tax year (December 1 for most taxpayers)
- However, if an individual joins mid-year and contributes the maximum amount to their HSA, they must remain eligible for at least 12 months after the last day of the last month of that tax year (December 31 for most taxpayers), or they will be subject to taxes and penalties on the amount that was contributed

WHO IS ELGIBILE?

- Anyone who is:
  - Covered by an HDHP
  - Not enrolled in Medicare, Medicaid, Tricare, or other government sponsored insurance plans
  - Not covered under other non-qualified health insurance* including Flexible Spending Accounts and Health Reimbursement Accounts (HRAs)
  - Not another person’s tax dependent

NOTE: For employees participating in the FSA currently with rollover balances, you will be allowed to roll over into a limited-purpose FSA which does not negatively impact your eligibility for the HSA

*Other health insurance does not include specific disease or illness, accident, disability, dental, vision and/or long-term care insurance

WHEN CAN I SPEND MY HSA FUNDS?

- HSA distributions can be taken for qualified medical expenses for the following people:
    - The account holder
    - Spouse of that individual (even if not covered by the HDHP)
    - Tax dependents of that individual (even if not covered by the HDHP)

- For individuals aged 65 and older, HSA distributions can be used for nonqualified medical expenses without facing the 20% penalty
    - However, income taxes will apply for nonmedical distributions
    - This rule is regardless of whether the individual is enrolled in Medicare

WHAT CAN I SPEND MY HSA FUNDS ON?

- The IRS defines what is considered a "qualified medical expense" for the purpose of HSA distributions

- Expenses must be primarily to treat or prevent a physical or mental defect or illness

- Examples of qualified medical expenses include:
  - Most medical care that is subject to the deductible (copays, coinsurance, doctor visits, inpatient or outpatient treatment, etc.)
  - Prescription drugs
  - Insulin (with or without a prescription)
  - Dental and vision care
  - Select insurance premiums, including:
    - COBRA, health insurance after you turn 65 (except for a Medicare supplemental policy), qualified long-term care insurance, health insurance premiums paid while receiving unemployment benefits

If an individual uses HSA funds for expenses outside of what the IRS deems as qualified, they will be subject to income tax on the distribution and an additional 20 percent penalty

IS THE HDHP WITH HSA RIGHT FOR ME?

- The HDHP with HSA is not the right plan for everyone. We recommend you consider your personal situation closely, including reviewing your prior year healthcare costs to give you an idea of your average usage and estimated annual expenditure.

- Generally this plan is a good option for individuals and families who are

  - Low Utilizers. Families using primarily preventive services and basic primary care office visits during the year that can save pre-tax money year over year to build their HSA balances.

    OR

  - High Utilizers. Families with extensive medical needs who also have enough funds available to cover their out of pocket maximum and can afford the upfront costs early in the year. This is because the out of pocket maximum liability for in-network services is lower on this plan than the POS plan.

- Of the 3 health plan choices L&C is offering for 4/1/2019, the HDHP with HSA is the middle cost plan. The Kaiser HMO is less expensive and the Added Choice POS is the most expensive option.

- If you do not meet the eligibility for the tax-advantaged HSA, there may be minimal benefit to you to join the plan.

Thank you!