

High Deductible Health Plan and Health Savings Accounts



Indiana University Health

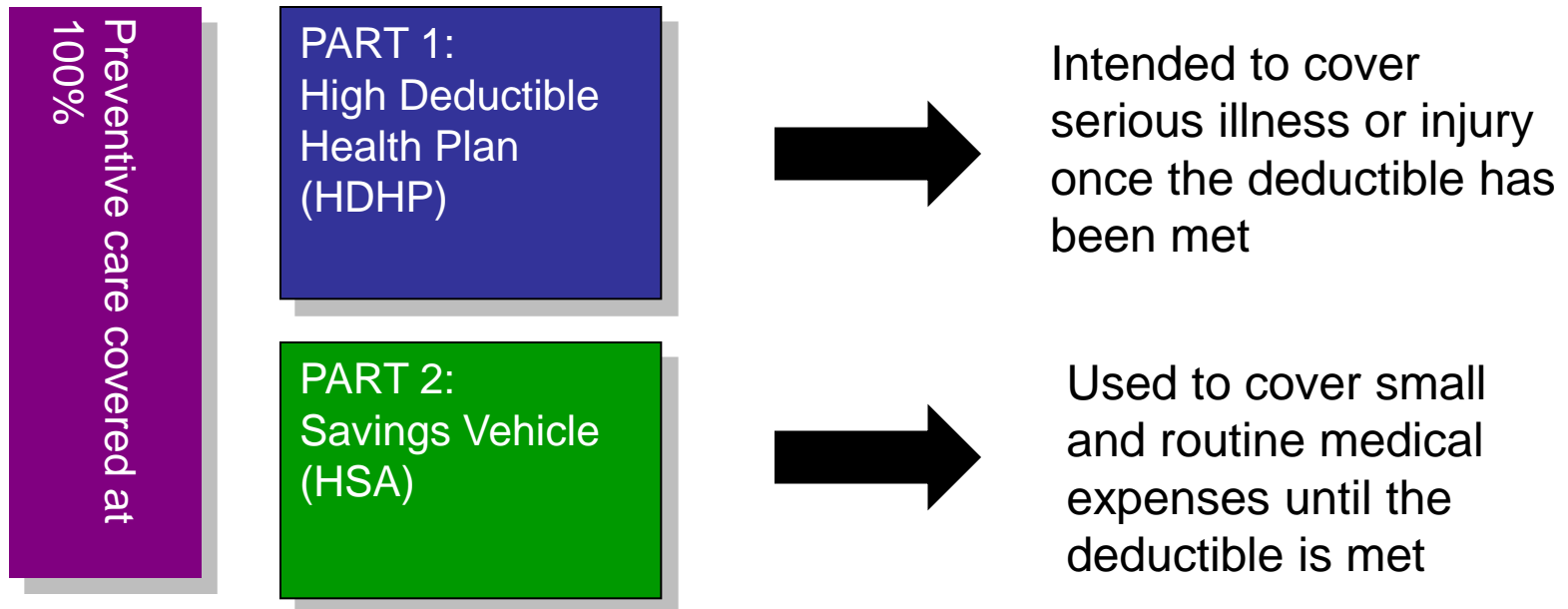


Consumer-Driven Plan Design



Consumer Driven Healthcare has two components

1. a High Deductible Health Plan (HDHP) and
2. a funding vehicle – a Health Savings Account (HSA)



What is a HDHP?



- Annual deductible maximum for single and family coverage accumulates separately
- Annual out-of-pocket maximum for single and family coverage accumulates separately
- All services apply to deductible and coinsurance including prescriptions with no copays except preventive care services which are covered at 100%
- Cannot provide first dollar coverage, except for:
 - preventive care
 - dental
 - vision
 - limited-use FSA

IU Health HDHP Plan



Benefit	In Network
Single deductible	\$1,750
Family deductible	\$3,500
Coinsurance	20%
Single out-of-pocket maximum	\$4,250
Family out-of-pocket maximum	\$8,500
Office visit	20% after deductible
Emergency room	20% after deductible
Rx, 30 day supply at in-network pharmacy	20% after deductible
Rx, 30 day supply at non -network pharmacy	30% after deductible
Rx, 90 day supply – mail order	20% after deductible

If more than 1 person, family deductible must be met before coinsurance applies. Same applies for out-of-pocket maximum

Preventive care services covered at 100% with no deductible

No copays for office visits

No copays for prescriptions

HDHP Benefits



- Medical services that will apply towards the annual deductible and out-of-pocket maximums are those medical services provided by in-network providers. Services provided by non-network providers are not covered by the HDHP Plan, but they can still be reimbursed through your HSA account **IF** considered a qualified medical expense by IRS regulations.
- Prescription services will apply both in-network and out-of-network pharmacies services to the deductible and out-of-pocket maximums.
- Remember, in-network prescriptions are covered at 20% after the deductible, but non-network prescriptions will have a higher coinsurance at 30% after the deductible is satisfied.

HDHP Networks



- **HDHP Plan I** utilizes the IU Health Select Network for employees residing in the following counties in Indiana: Benton, Blackford, Boone, Brown, Carroll, Clinton, Delaware, Hamilton, Hancock, Hendricks, Howard, Johnson, Lawrence, Marion, Martin, Monroe, Morgan, Owen, Tippecanoe, Tipton, Vermillion, Vigo, and White.
- **HDHP Plan II – Out of Area** utilizes the Encore Network for employees residing in Indiana BUT who do not reside within the counties covered by the IU Health Select Network shown above.
- **HDHP Plan II – Out of Area** utilizes the PHCS Network for employees residing outside of Indiana.

HSA Administrator



Who will administer my
Health Savings Account?



HSA BANK

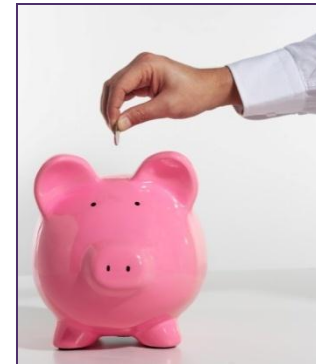
Considering a Health Savings Account (HSA)?

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What are Health Savings Accounts?

- Congress created HSAs to help individuals save for qualified medical and retiree health expenses on a tax-free basis.
- Pairs a qualified HSA-compatible health plan with a savings account for eligible individuals to help pay for qualified medical expenses.
- Account balances can be carried over year to year



Who is eligible for an HSA?

Individuals who are covered by an HSA-compatible health plan are qualified if they are:

- ✓ Not covered by any other non HSA-compatible health plan
- ✓ Not claimed as a dependent on another person's tax return (excluding spouses per Internal Revenue Code)
- ✓ Not enrolled in Medicare



Advantages of an HSA

- **Funds roll over from year to year**
 - No “use it or lose it” philosophy
- **Tax benefits on contributions, earnings and distributions**
 - Contributions are either pre-tax (via paycheck) or tax-deductible
- **Portability**
 - Funds follow you
 - Tax-free withdrawals for Qualified Medical Expenses even if qualifying coverage ends
- **Long-term investment opportunities**
 - *(Not FDIC insured)*
- **Control over healthcare dollars**

Qualified Medical Expenses

A qualified medical expense is incurred to maintain the health of the accountholder or the accountholder's spouse or dependents. The following are included:

- Doctor and hospital visits
- Medical equipment
- Dental care
- Vision care
- Prescription medications



*A list of Qualified Medical Expenses can be found in IRS Publication 502, <http://www.irs.gov/pub/irs-pdf/p502.pdf>.

Other Qualified Medical Expenses

- Premiums for long-term care insurance
 - Limited to amount listed in 213(d)(10) of the Internal Revenue Code
- Premiums for COBRA
- Premiums for coverage while receiving unemployment compensation
- Premiums for individuals over age 65
 - Retirement health benefits
 - Medicare premiums



Tax Treatment of HSAs

- **Contributions**
 - Contributions deducted from your federal taxable income.
- **Earnings**
 - HSAs grow in the same tax-deferred manner as IRAs.
- **Distributions**
 - HSA funds used for eligible medical expenses are not included in your federal taxable income.
 - Withdrawals for qualified medical expenses are tax-free. After age 65, funds may be withdrawn for any reason without penalty, subject to regular income tax.

How does the HSA Work?

- **Enroll in the qualified HSA-compatible health plan.**
 - Establish your HSA
- **Make contributions to the HSA**
 - Employer/Employee
 - IU Health employer annual contribution limits for 2012
 - \$500 individual (*divided per pay period*)
 - \$1,000 family (*divided per pay period*)
- **Pay for out-of-pocket medical expenses**
 - Deductible and/or coinsurance
 - Unused funds in your HSA are available for future needs

How to Contribute



Who Makes Contributions?

Accountholder
Employer
Third Party

Contributions from all sources count toward the annual maximum.

How Are They Made?

- Through employer
 - Payroll deductions may be an option
- Online through Internet Banking
 - One-time or recurring from an external account.
- Checks
- Transfers or rollovers
 - (MSA, HSA, IRA)

Annual IRS Maximum (regardless of deductible)

Year	Individual	Family
2012	\$3,100	\$6,250

Variety of Distribution Options

- Reimbursement from Internet Banking to an External Account
- Debit Card from Visa
 - ATM Withdrawal with Pin
 - POS with Signature
- HSA Checks
 - Or Transfer Funds to an External Account to use Personal Checks
- Withdrawal Form
 - Mail to HSA Bank



Member Internet Banking

- View Real-time Account Balances
- View Transaction History and Statements
- Access Electronic Statements and Tax Documents
- Receive Year-to-Date Account Information
- Transfer Funds to or from a Linked Investment Account
- Sign up for Email Confirmations
- Download your account activity to MS Money or Quicken



Investment Options

- HSA Bank offers Members two self-directed investment* options:
 - The TD Ameritrade Brokerage option offers a wide array of services for self-directing investing which includes: stocks, bonds and virtually-unlimited mutual funds.
 - The DEVENIR Mutual Fund Selection is a pre-selected group of no-load mutual funds covering a range of fund families and asset classes.



No minimum
HSA balance
required to invest!

**Investment products are not FDIC insured, are not a deposit or other obligation of or guaranteed by the bank, and are subject to investment risks including possible loss of principal amount invested.*

Accountholder Reporting

Account statements

- Quarterly Statements with informative inserts

IRS reporting

- Year-end status report
- 1099-SA (distributions)
- 5498-SA (contributions)



Access to Online Tools

- The **Future Value Calculator** helps Employees to determine the potential growth and tax savings they can receive with an HSA.
- Our **“Is an HSA Right for Me?”** tool calculates the total cost of a traditional plan and compares it to the total cost of the HSA-compatible plan to help Employees determine which plan is best for them.

Future Value Calculator

Use this tool to calculate your tax deferred growth and future value of your Health Savings Account. Enter your estimates into the fields below. Please note that this calculator is meant as a reference tool only.

Enter your Estimates Below

Enter your average contribution per year:

Enter your average medical expenses per year:

How many years will your account accumulate?

Enter your federal tax bracket: (20% is used as a default)

Enter your state tax: (0% is used as a default)

Enter your bank interest rate: (2% is used as a default)

[Click Here to Calculate](#)

Is an HSA right for me?

Step 1: Enter your current TRADITIONAL plan details below

What is your annual premium? (What's this?)

What is your deductible? (What's this?)

What is your co-insurance? (Optional) % (What's this?)

What is your maximum out-of-pocket expense? (Optional) (What's this?)

How many prescriptions do you fill annually? (What's this?)

How many times do you go to the doctor in a year? (What's this?)

Do you pay a co-pay? Yes No (What's this?)

[Continue to Next Step](#)

How to Enroll & What to Expect

- Log in to your benefit enrollment site and elect the HSA-compatible health plan during open enrollment
- You'll automatically be enrolled in the HSA
- You will receive new account materials:
 - Welcome Kit
 - Debit Cards



Next Steps

- **Add an Authorized Signer to your HSA**
 - Authorized Signers can access your account and make payments on your behalf
 - Complete the Authorized Signer Form and fax to HSA Bank
 - Order additional debit card through Internet Banking
- **Designate a Beneficiary**
 - Indicate who will inherit your HSA funds
 - Complete Designation of Beneficiary Form and fax to HSA Bank

Service and Support

- **Toll-free Client Assistance Center**
(800) 357-6246

7 a.m. – 9 p.m., CT, Monday – Friday

Email: askus@hsabank.com

- **Toll-free Spanish Language Assistance**
(866) 357-6232

7 a.m. – 9 p.m., CT, Monday – Friday



What does Your Future Hold?



For more information, please
visit:

www.hsabank.com