High Deductible Health Plan and Health Savings Accounts
Consumer Driven Healthcare has two components
1. a High Deductible Health Plan (HDHP) and
2. a funding vehicle – a Health Savings Account (HSA)

**PART 1: High Deductible Health Plan (HDHP)**

Preventive care covered at 100%

Intended to cover serious illness or injury once the deductible has been met

**PART 2: Savings Vehicle (HSA)**

Used to cover small and routine medical expenses until the deductible is met
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

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

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.
— 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)?
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

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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Individual</th>
<th>Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$3,100</td>
<td>$6,250</td>
</tr>
</tbody>
</table>
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.

*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.
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