Comparing the Plans

What are the major differences between the Health Savings Plan (HDHP) and the Traditional Plan (PPO)?

The two plans have been designed with many features that are similar.

• They both provide comprehensive medical coverage to protect you from major medical expenses, which includes the same medical treatments and services.

• They both use the same network of health providers (doctors, clinics, hospitals) and provide higher benefits when you use network providers (and especially when you use Tier 1 providers). In-network preventive care, such as annual physicals, well-baby visits and mammography, are covered at no cost to you.

Specific details about each plan can be found in your 2016 Benefits at a Glance and 2016 Benefits Guide documents.
How does the “family” deductible work?

The Traditional Plan
The deductible is a per person deductible, meaning each family member must satisfy the individual deductible before you and the plan share the remaining costs of covered expenses. However, if any combination of family members’ expenses reaches the family deductible, the deductible is met and you and the plan share the remaining costs of covered expenses for the year. For example, a family with three members uses Tier 1 providers. If only one member has claims, the deductible is $300. If all three members have claims, each one has a $300 deductible, but the sum of their deductibles cannot be greater than $600.

The Health Savings Plan (HDHP)
The family deductible is a “combined” deductible, meaning that amounts from those covered are added up to meet the family deductible. For example, suppose you had a family of four with family coverage. The family has a $3,000 annual family deductible for Tier 1 providers. The father had a medical issue and paid $2,000 in medical expenses toward his Tier 1 deductible. Once any combination of expenses from Tier 1 providers from the other three family members totaled another $1,000, the family deductible would be satisfied and no covered family member would need to satisfy a deductible for Tier 1 expenses the rest of that year.

The Health Savings Plan (HDHP)
How does this type of plan work?
The Health Savings Plan has two key features:

1. A medical coverage feature that provides the medical coverage you need.
2. A tax-advantaged savings feature (Health Savings Account, also referred to as HSA) that lets you save money to cover medical expenses now and/or in the future.

With this plan:

• Preventive care is the foundation of the plan. Annual physicals and certain preventive screenings like mammograms are covered at 100% in the Tier 1 network—the plan pays the full cost.

• For all other covered services, you first meet a deductible before the plan begins to pay benefits. It’s a “high deductible” plan so you can also set up an HSA alongside the plan, if you wish.

• Once you meet the deductible, you pay a percentage of covered medical expenses (called “coinsurance”) and the plan will pay the remaining percentage of covered expenses.

• You can use the money in your HSA to pay for any of your out-of-pocket costs, including meeting the deductible and coinsurance amounts.

• Once you hit the out-of-pocket maximum in a year, the plan pays 100% of all covered expenses for the rest of that year. This provides you with the protection you need for your financial security. (Note: Very few people ever reach the out-of-pocket maximum in a year.)

Why do people choose this type of plan?
There are many reasons why people choose to participate:

• Lower cost.
  This type of coverage typically costs less (per payroll contributions) than other medical coverage options.

• More control.
  This type of plan encourages you to take more control over how health care dollars are spent. This can end up saving you money.

• Tax-advantaged savings.
  This type of plan lets you build up an HSA with triple tax advantages. (1) There’s no tax on the money when it goes in, so it lowers your taxable income today. (2) It grows tax-free over the years, as investment returns on money in the account are not taxed while in the account. (3) There’s no tax when you take money out of the account as long as you use it for medical expenses (including paying for Medicare coverage in retirement). You can also use the money for other purposes, though the money will be taxed if used for anything other than health care expenses and there may be penalties for withdrawing money to use for non-health-related expenses.

• Portable. You can take the money in your account with you if you leave us for any reason, including retirement. And you can leave the money in the account as well. You, not your employer, own the account.

Why doesn’t everyone participate in a plan like the Health Savings Plan?
Everyone’s situation is different, but here are a few common reasons.
• **High Deductible.** The Health Savings Plan has a relatively high deductible that, except for certain preventive care you receive, must be satisfied before the plan begins to pay benefits. However, you can use the money in your HSA to help you meet part or all of the deductible.

• **Cash Flow.** You may need to pay out more in cash during the early stages of your participation in this plan, as you may not have built up enough in your HSA to cover expenses you incur before meeting your deductible. This is an issue that is less likely to happen over time as you build savings in your account.

• **Payment of Prescription Drugs**—Unlike traditional health plans that may have established copays for prescription drugs, you pay the full cost of many prescription drugs until you meet the annual deductible. Certain preventive drugs are not subject to the deductible. After your deductible is satisfied, you and the plan will share the costs of the prescriptions until you reach an annual limit.

**How are preventive care services covered under the Health Savings Plan?**
Under the Health Savings Plan, preventive care services received from a Tier 1 primary care physician are covered at 100% (you do not have to meet a deductible), and you will pay coinsurance if you go to a provider in Tier 2 or Tier 3 for preventive care.

**What about medical services other than preventive care? How will my cost for these services be determined in the Health Savings Plan?**
You will pay the cost of the in-network medical services, at discounted prices, up to the point where you meet your deductible. Then, you pay a percentage of all services until you reach the out-of-pocket maximum. Then, all eligible medical expenses will be paid in full by the plan for the rest of the calendar year. Your costs will be subject to the in-network or out-of-network provisions of the plan.

**What about the costs of prescription drugs? How are those costs handled?**
By law, most prescription drug costs must be part of the overall coverage for this type of plan, meaning that they are subject to the deductible and coinsurance. Except for certain preventive medications, you must pay the cost of prescription drugs until you meet your deductible, then the plan will pay a percentage of the cost of those drugs (based on whether they are generic or brand-name drugs) until you reach your out-of-pocket maximum for the year.

**Health Savings Accounts (HSAs)**

**How do I contribute to the HSA?**
Participation in the Health Savings Plan allows you to save in your HSA during the year. You decide on the amount to contribute, if any, and you may change the amount of your election any time during the year. Your annual election amount will be taken out of each paycheck in equal installments throughout the year, totaling the amount you designated for the year. Your HSA contributions will be taken out before taxes are calculated, so you’ll end up saving some additional money in taxes, as well.

**Will my employer contribute to my HSA?**
For full-time employees, the HSA will be funded with an initial contribution of $200 for employee-only coverage and $400 for employee + dependent coverages. If you make your own contributions to your HSA, employer matching contributions will occur as follows:

- The hospital will match 50 cents for every dollar the employee contributes up to a maximum amount of $300 for employee-only coverage and $600 for employee + dependent coverages. (For employee-only coverage, a $600 employee contribution will result in a $300 employer match. For employee + dependent coverages, a $1,200 employee contribution will result in a $600 employer match.)

The matching contributions will be made on a quarterly basis. It’s important to note that the combination of your own contributions to your HSA and your employer’s contribution and match must not exceed IRS limits ($3,350 for employee-only coverage or $6,750 for employee + dependent coverage in 2016).

**What medical expenses can be paid with money in my HSA?**
Funds in your HSA can be used to pay for a wide variety of health care expenses not otherwise paid by your medical coverage. They can even be used to pay for certain dental, vision and alternative medical expenses.

The Internal Revenue Service (IRS) has a list of items that can/cannot be paid for using funds in an HSA. These are commonly known as “qualified medical expenses” and are those expenses that would generally qualify for the medical and dental expenses deducted on your tax forms. These are explained in IRS Publication 502, Medical and Dental Expenses: [http://www.irs.gov/publications/p502/index.html](http://www.irs.gov/publications/p502/index.html) (see “What medical expenses are includable?” in the IRS publication).
What are the withdrawal rules on my HSA?
You may use money in your HSA to pay for eligible health care expenses, to meet your deductible or pay for coinsurance. There are several ways you can withdraw money from your HSA for eligible health expenses, including using an HSA debit card. If you withdraw money for non-health-related expenses, you will pay taxes on this money and you will incur a tax penalty. At age 65 or upon your disability, however, this tax penalty will not be assessed.

Is there a maximum that can be contributed to my HSA?
Yes. For 2016, the maximum is $3,350 for employee-only coverage and $6,750 for employee + dependent coverage. And, for those who turn age 55 or older in 2016 and are not eligible for Medicare, the IRS will permit an additional $1,000 in catch-up contributions.

Can I set up an HSA and also contribute to my Medical Flexible Spending Account (FSA)?
No. If you are enrolled in the Health Savings Plan and contribute to an HSA, neither you nor your spouse can use a Medical FSA in 2016 to pay for medical expenses, even if your spouse is not covered under a plan like the Health Savings Plan from another employer. This is because you can’t have both an HSA and Medical FSA for medical expenses in the same year.

What’s the difference between an HSA and a Medical FSA?
• With an HSA, the money is with a trustee and, if you leave the company, you can “roll it over” to another HSA or continue to maintain the account as is. With a Medical FSA, there are no such provisions.
• With an HSA, you can carry over unused money from one year to the next. You cannot do this with a Medical FSA. Money not claimed for expenses in a year must be forfeited with a Medical FSA.
• You can invest money in an HSA and realize earnings. You cannot realize earnings on money in a Medical FSA.

Can I use the money in my HSA to pay or reimburse myself for medical expenses I incurred in the past?
Expenses for which HSA funds can be used must have been incurred on or after the date your health savings account was set up.

Can I use money in my HSA even if I’m no longer in a plan like the Health Savings Plan?
Once money is in your HSA, you can withdraw it even if you are no longer in a plan like the Health Savings Plan. The money is always yours. But once you are no longer in a “high deductible” plan like the Health Savings Plan, you cannot contribute to an HSA.

Can I use the money in my account for non-medical expenses?
Yes, you can. However, if the money is taken out for expenses other than qualified medical expenses as defined by the IRS, the amount distributed to you will normally be subject to income tax and you will be assessed a tax penalty. No tax penalty will be assessed, however, if you are age 65 or older or permanently disabled.

What happens to my account if I die or become disabled?
If you die, ownership of any money in your account will be given to your spouse if he/she has been designated as your beneficiary and will be treated as your spouse’s HSA after your death. If your estate is the beneficiary, money in your account will be considered taxable income to you for your final tax return. Otherwise, it will be taxable to the non-spouse beneficiary you designated earlier.

If you become permanently disabled, you can take the money out for any reason and it will not be subject to income taxes or tax penalties.

Can I use money in my HSA to pay or reimburse myself for medical expenses I incurred in the past?
Expenses for which HSA funds can be used must have been incurred on or after the date your health savings account was set up.

Can I use my HSA debit card to get money out at an ATM?
No. But you can move money electronically from your HSA to your personal checking account.

What happens if I go to use the HSA card and there’s not enough money in my account to cover the bill I’m trying to pay?
The card will be rejected and you will need to find another way to pay the bill. When your account is built back up with enough money to pay the bill, you can file for reimbursement.
Can I use the HSA card to make a partial payment of a bill?
You can do this provided the merchant will allow you to use two forms of payment. However, the amount for which you use the HSA debit card cannot exceed the amount in your account at the time.

What happens to money in my account if I leave?
Remember you, not your employer, own this account. So, if you are an active employee and leave, you can roll money in this account over to a similar plan if you wish, or leave this account as is.

You can also cash out this account if you leave, though your distribution may be subject to income tax and a tax penalty if the money is not used for qualified health care expenses.

If you leave and keep money in your HSA, our HSA administrator will charge your account a set fee per month to continue to administer your HSA.

What happens to money in my account if I stay here but switch to another health plan in the future?
Money in your account will stay in your account and be available for your use. However, unless you are enrolled in a plan like the Health Savings Plan in the future, you will no longer be able to make additional contributions to your account.

Also, if you switch health plans and are no longer in the Health Savings Plan, our HSA administrator will charge your account a set fee per month to continue to administer your HSA.

What investment options will be available with my HSA?
Money in your HSA can be invested in one of two options: a mutual fund account or a money market account. Both investment options will be available to you when your HSA account balance reaches $1,000 or more. Before that time, you will earn tax-deferred interest on money in your HSA.

Once you have reached the $1,000 threshold and made investment choices, those choices will remain in effect until you change them, even if your account balance ever slips below $1,000.

In the mutual fund account, you will have access to a wide range of mutual fund options designed to provide investment choices to meet your objectives. Information about fund options will be available online.

In the money market account, your funds will be invested in the Fidelity Institutional Fund which gives you the potential to earn higher yields than your HSA deposit account interest rates. Once the money market account is opened, funds are automatically swept back and forth daily to maintain a $1,000 balance in your HSA deposit account.

How do I use HSA funds that have been invested for qualified medical expenses?
In the mutual fund account, you must execute a trade for the funds requested. Funds will be transferred on the settlement date from the investment account to your HSA deposit account.

In the money market account, you can use the funds at any time and in the same way as if you did not elect investment options. You must, however, have sufficient funds in your HSA deposit account and the money market account combined.

Is my HSA FDIC insured?
Yes, it is. However, if you choose to move your money in your HSA to one or more of the investment fund choices, those investments will not be FDIC insured.

I heard that I can transfer money from my IRA to my HSA. Is that true?
The IRS permits Americans who are enrolled in a plan like the Health Savings Plan to make a one-time transfer from an IRA to an HSA. However, you still cannot exceed the “contribution limits” imposed by the IRS for the year in which the transfer is made.

Is there any limit as to how much money I can accumulate in my HSA at any time?
No, as long as you don’t exceed the annual maximum contributions allowed per IRS rules, unused account balances can accumulate without any limit.