



**High Deductible Health  
Plan (HDHP)  
Health Savings Account  
(HSA)**



# Agenda

- **What is a High Deductible Health Plan (HDHP)?**
- **Insurance terms**
- **HDHP options for 2020**
- **Understanding a Health Savings Account (HSA)**
- **Employee Out-of-Pocket Cost Illustrations**
- **HSA Q&A**

# What is a High Deductible Health Plan?

- IRS-qualified High Deductible Health Plan (HDHP) combines lower premiums, higher deductibles and tax incentives
- Eligible HDHP participants can contribute to a tax-advantaged Health Savings Account (HSA)
- IRS sets minimums for plan deductibles and maximums for out-of-pocket maximums
- The HDHP family deductible is generally different from most deductibles
  - The family deductible must be satisfied in full
  - Individual deductible limits do not apply for those covering one or more dependents
- Preventive care is covered with no deductible, all other services are subject to the deductible, including prescription drugs
- When you enroll in an HDHP through Swarthmore, an HSA will automatically be set-up for you with PNC Bank

# Insurance Terms

- Individual Deductible: Amount you pay each year for services before the plan starts to pay a benefit (employee-only enrollment)
- Family Deductible: Amount you pay for care for your family before the plan starts to pay a benefit for all members of your family
- Preventive Care: Covered 100%, no deductible – routine care that is not medically necessary
- Coinsurance: Your share of the costs of a covered health care service, calculated as a percent of the allowed amount for the service

# Insurance Terms

- Out-of-Pocket Maximum: How much you spend for the deductible, coinsurance and copays before the plan begins to pay 100%
- Prescription Drugs: Subject to the deductible, then copays apply
- In-Network: Providers have an agreement with the insurance carrier to charge a discounted fee (“Allowed Amount”)



# Insurance Terms

- Out-of-Network: Providers are not contracted with the insurance carrier and can charge whatever they want. The plan's Allowed Amount is the equivalent of the Medicare Allowable Amount
- Medicare Allowable Amount: The maximum charge allowed by Medicare

# High Deductible Health Plan Changes for 2020

Listed below are the 2020 plan changes to the current HDHP:

- **Rx copays will increase for generic and formulary brand, after deductible**
  - Retail Generic = \$10
  - Retail Formulary Brand = \$25
- **Required monthly payroll contributions**
  - Employee Only = \$10
  - Employee + Child = \$20
  - Employee + Children = \$50
  - Employee + Spouse = \$75
  - Family = \$100
- **Preventive drug rider - Preventive medications for certain chronic conditions are not subject to the deductible**

# High Deductible Health Plan (HDHP)

	<u>In-Network</u>	<u>Out-of-Network</u>
Deductible - Aggregate	\$2,000 /\$4,000	
Out-of-Pocket Max. (includes deductible)	\$5,600/\$11,200	
Plan Coinsurance	100%	80%
Preventive Care	Covered in full, deductible waived	80%, deductible waived
Physician Services	100% after deductible	80% after deductible
Emergency Room	100% after deductible	100% after deductible
Outpatient Surgery	100% after deductible	80% after deductible
Inpatient Hospital	100% after deductible	80%; after deductible
Telemedicine	100% after deductible	Not Covered
Prescription Drugs	\$10/\$25/\$45 after deductible	50%; after deductible



# Highlights of the New HDHP – Basic Plan

- No employee payroll cost for 2020
- Higher deductible than the current HDHP - \$3,000 Individual/\$6,000 Family
- Embedded family deductible – once a single family member satisfies the individual deductible, the plan begins to pay for that individual
- 90% coinsurance paid after deductible is met; you pay 10%
  - Example:
    - Allowed amount for covered service: \$200
    - Member 10% coinsurance amount: \$20
    - Plan covers 90% amount: \$180
  - \*This assumes the deductible has been met
- Preventive medications for certain chronic conditions are not subject to the deductible

# NEW for 1/1/2020

## High Deductible Health Plan (HDHP) – Basic Plan

	<u>In-Network</u>	<u>Out-of-Network</u>
Deductible - Embedded	\$3,000 /\$6,000	
Out-of-Pocket Max. (includes deductible)	\$5,600/\$11,200	
Plan Coinsurance	90%	80%
Preventive Care	Covered in full, deductible waived	80%, deductible waived
Physician Services	90% after deductible	80% after deductible
Emergency Room	90% after deductible	90% after deductible
Outpatient Surgery	90% after deductible	80% after deductible
Inpatient Hospital	90% after deductible	80% after deductible
Telemedicine	90% after deductible	Not Covered
Prescription Drugs	\$10/\$25/\$45 after deductible	50%; after deductible

# High Deductible Health Plan Comparison

<u>In-Network Benefits</u>	<u>Basic HDHP</u>	<u>HDHP</u>
Employer HSA Deposit	\$1,000 / \$2,000	\$1,000 / \$2,000
Deductible	\$3,000 / \$6,000 <i>Embedded</i>	\$2,000 / \$4,000 <i>Aggregate</i>
Plan Coinsurance	90%	100%
Out-of-Pocket Maximum (includes deductible)	\$5,600/\$11,200 <i>Embedded</i>	\$5,600/\$11,200 <i>Embedded</i>
Preventive Care	Covered 100%	Covered 100%
Physician Services	90% after deductible	100% after deductible
Emergency Room	90% after deductible	100% after deductible
Outpatient Surgery	90% after deductible	100% after deductible
Inpatient Hospital	90% after deductible	100% after deductible
Telemedicine	90% after deductible	100% after deductible
Prescription Drugs	\$10/\$25/\$45 after deductible	\$10/\$25/\$45 after deductible

\*Both HDHPs' deductible and out-of-pocket maximums are combined for in and out-of-network services; both plans cover eligible out-of-network services at 80% after the deductible

# Basic HDHP – Coinsurance Examples

	<u>MRI</u>	<u>Pregnancy</u> <sup>1</sup>	<u>Knee Replacement</u> <sup>2</sup>
Allowed Amount	\$1,142	\$18,329	\$30,564
Annual Deductible	Previously satisfied	\$3,000	\$3,000
Plan Coinsurance 90%	\$1,028	\$13,796	\$24,964
Member Coinsurance 10%	\$114	\$1,533	\$2,600
Employer HSA Deposit	Previously spent	\$1,000	\$1,000
<b>Member Responsibility</b>	<b>\$114</b>	<b>\$3,533</b>	<b>\$4,600</b>

1. *Illustrative pregnancy related expenses include obstetrician fees for pre-natal care and a normal delivery plus hospital expenses for a two day inpatient stay post-delivery.*
2. *Illustrative expenses for knee replacement surgery include the cost of the procedure plus ancillary costs pre and post-surgery. In this example, the Member Responsibility is capped at the plan's \$5,600 individual annual out-of-pocket maximum.*

# HDHP Preventive Enhancement

- Save money on certain preventive medicines
- Your deductible is waived if you fill a prescription from the list of preventive medications
- You pay your prescription copay only
- Preventive medicines include treatment of these chronic conditions:

Asthma

COPD

Diabetes

High Blood Pressure

High Cholesterol

Mental/Emotional Disorders

Osteoporosis

Prenatal Vitamins

# Health Savings Account (HSA)

- Individually owned, tax advantaged bank account
  - Pay for eligible health care expenses
  - Save for retirement
- 2020 Annual Contribution Limits:
  - \$3,550 – Employee-only coverage
  - \$7,100 – Family coverage
- 55 and older can make \$1,000 “catch-up” contribution
- Contribution limits are set by the IRS and are subject to change annually

# Benefits of an HSA

- Contributions to the HSA are tax free (federal income tax, FICA, and most state taxes do not apply)
- Account grows – investment earnings are tax free
- Unused funds roll over year after year
- Portable – if you leave Swarthmore, the account goes with you
- Payments for eligible health care expenses - also tax free for you and your tax dependents
- **Swarthmore Contribution! \$1,000 Single / \$2,000 Family (for full-time employees)**

# Eligibility for an HSA

- An employee may contribute to an HSA only if they are covered under an IRS-qualified HDHP and meet the following criteria:
  - You are not enrolled in Medicare or Medicaid
  - You cannot be enrolled in a non-HDHP plan through your spouse's employer plan
  - You may not be claimed as a dependent on another individual's tax return
  - You must be age 18 or older
  - IRS rules don't permit you to contribute to an HSA and be enrolled in a Flexible Spending Account (FSA) or Health Reimbursement Arrangement (HRA) at the same time
    - Includes spouse's employer-sponsored FSA or HRA



# Limited Purpose FSA

- Tax advantaged account available for employees who enroll in an HDHP and have an HSA
- Does not prevent you from being HSA eligible
- For reimbursement of dental and vision expenses only
- 2020 contribution limit \$2,700

# Total Cost Illustration – Single Coverage

	<b><u>HDHP – Basic</u></b>	<b><u>HDHP</u></b>	<b><u>HMO</u></b>	<b><u>POS</u></b>	<b><u>PPO</u></b>
<b>Low Claims Utilization</b>					
Annual Payroll Cost	\$0	\$120	\$360	\$796	\$2,264
Out of Pocket Cost	\$790	\$790	\$315	\$325	\$335
Employer HSA Deposit	\$1,000	\$1,000	N/A	N/A	N/A
<b><i>Total Cost to You</i></b>	<b><i>\$0</i></b>	<b><i>\$120</i></b>	<b><i>\$675</i></b>	<b><i>\$1,121</i></b>	<b><i>\$2,599</i></b>
<b>Moderate Claims Utilization</b>					
Annual Paycheck Cost	\$0	\$120	\$360	\$796	\$2,264
Out of Pocket Cost	\$3,179	\$2,180	\$860	\$900	\$930
Employer HSA Deposit	\$1,000	\$1,000	N/A	N/A	N/A
<b><i>Total Cost to You</i></b>	<b><i>\$2,179</i></b>	<b><i>\$1,300</i></b>	<b><i>\$1,220</i></b>	<b><i>\$1,696</i></b>	<b><i>\$3,194</i></b>
<b>Heavy Claims Utilization</b>					
Annual Payroll Cost	\$0	\$120	\$360	\$796	\$2,264
Out of Pocket Cost	\$5,600	\$2,420	\$1,000	\$1,000	\$1,500
Employer HSA Deposit	\$1,000	\$1,000	N/A	N/A	N/A
<b><i>Total Cost to You</i></b>	<b><i>\$4,600</i></b>	<b><i>\$1,540</i></b>	<b><i>\$1,360</i></b>	<b><i>\$1,796</i></b>	<b><i>\$3,764</i></b>

\*Out-of-Pocket costs assume claims are in-network and include deductibles, coinsurance and copays. Your costs for services under the HDHPs are reduced by Swarthmore's contribution to your HSA.

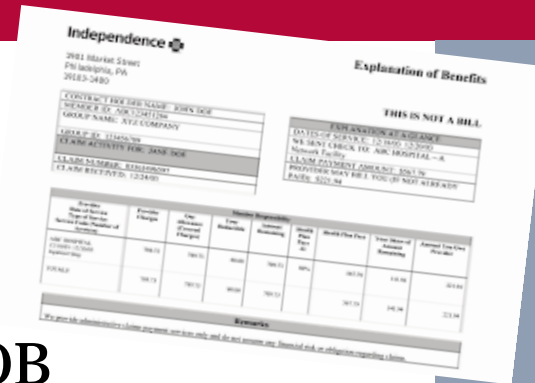
# Total Cost Illustration – Family Coverage

	<b><u>HDHP – Basic</u></b>	<b><u>HDHP</u></b>	<b><u>HMO</u></b>	<b><u>POS</u></b>	<b><u>PPO</u></b>
	<b>Low Claims Utilization</b>				
Annual Payroll Cost	\$0	\$1,200	\$5,705	\$7,160	\$9,180
Out of Pocket Cost	\$955	\$955	\$360	\$375	\$390
Employer HSA Deposit	\$2,000	\$2,000	N/A	N/A	N/A
<b>Total Cost to You</b>	<b>\$0</b>	<b>\$1,200</b>	<b>\$6,065</b>	<b>\$7,535</b>	<b>\$9,570</b>
	<b>Moderate Claims Utilization</b>				
Annual Payroll Cost	\$0	\$1,200	\$5,705	\$7,160	\$9,180
Out of Pocket Cost	\$3,644	\$4,000	\$1,010	\$1,055	\$1,090
Employer HSA Deposit	\$2,000	\$2,000	N/A	N/A	N/A
<b>Total Cost to You</b>	<b>\$1,644</b>	<b>\$3,200</b>	<b>\$6,715</b>	<b>\$8,215</b>	<b>\$10,270</b>
	<b>Heavy Claims Utilization</b>				
Annual Payroll Cost	\$0	\$1,200	\$5,705	\$7,160	\$9,180
Out of Pocket Cost	\$8,803	\$4,565	\$1,615	\$1,675	\$2,210
Employer HSA Deposit	\$2,000	\$2,000	N/A	N/A	N/A
<b>Total Cost to You</b>	<b>\$6,803</b>	<b>\$3,765</b>	<b>\$7,320</b>	<b>\$8,835</b>	<b>\$11,390</b>

\*Out-of-Pocket costs assume claims are in-network and include deductibles, coinsurance and copays. Your costs for services under the HDHPs are reduced by Swarthmore's contribution to your HSA.

# HSA – When to Pay a Provider

- When services are provided:
  - Doctor or hospital submits claim to IBC
  - IBC processes claim
  - You and the medical provider receive an EOB
- Explanation of Benefits reports Allowed Amount, Payment to Provider & Member Responsibility
- Provider should invoice you after receipt of the EOB
- Make sure your EOB and the provider's invoice are consistent
- Only pay the provider from your HSA after receiving an EOB so you know how much is due
- Pharmacy is an exception – they must be paid at point of sale



The image shows a sample 'Explanation of Benefits' form from Independence. The form includes a header with the company logo and name, followed by a disclaimer 'THIS IS NOT A BILL'. Below this, there are several sections: 'FOR ANNUAL RE-ENROLLMENT', 'FOR NEW ENROLLMENT', and 'FOR A CLAIM'. A table is present with columns for 'Service Dates', 'Procedure Code', 'Description of Service', 'Allowed Amount', 'Payment to Provider', and 'Member Responsibility'. The form also contains a 'Remarks' section at the bottom.

# HSA – Q&A

## 1. What can I use HSA money for?

*Qualified health care expenses for you and for your tax dependents, as defined by Section 213(d) of the Internal Revenue Code, including:*

- Medical expenses – deductible, copays and coinsurance*
- Prescription drug copays*
- Long term care & Medicare insurance premiums (Not Medigap)*
- Retiree health expenses*
- Dental and vision expenses*



# HSA – Q&A

## 2. What if I use my HSA to pay for something else?

*If you are under age 65, this money will be subject to taxes and a 20% penalty*

*Unlike an FSA, the HSA company (PNC Bank) will not ask you for receipts.*

*You must keep receipts with your annual tax records and present them to the IRS if you are ever audited.*



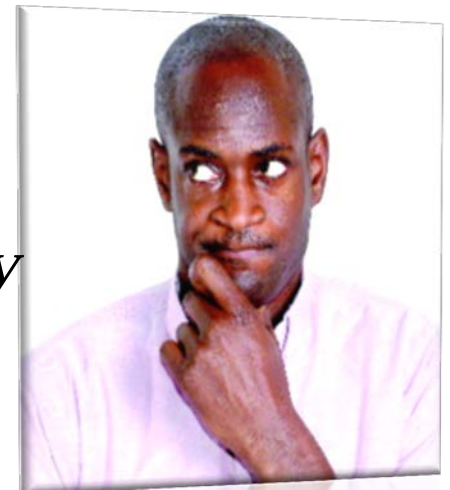
# HSA – Q&A

## 3. Who can use an HSA?

*Contributions can be made only if you are enrolled in an IRS-qualified HDHP & are **not** enrolled in any other non-HDHP such as Medicare, your spouse's medical plan or a general purpose FSA.*

*Domestic partners usually must establish their own HSAs. Both you and your domestic partner who is enrolled in your HDHP can contribute up to the IRS family HSA limit (\$7,100 for 2020) into each HSA in a calendar year.*

*However, you can only use the money in your HSA and your domestic partner may only use the money in their HSA.*



# HSA – Q&A

## **3. Who can use an HSA? (continued)**

*The Affordable Care Act allows children to be enrolled under their parent's plan until age 26. IRS rules allow you to exclude from income the cost of your child's coverage until the end of the tax year in which they reach age 26.*

*However, HSA funds can only be used for yourself, your spouse, or your child who is a tax dependent. Generally, the age limit for tax dependents is 19, or age 24 for students.*

*Your non-tax dependent child may establish his or her own HSA and can contribute up to the IRS family HSA limit into his or her HSA in a calendar year.*



# HSA – Q&A

## **4. Are health insurance premiums a qualified expense?**

*Generally - NO. This is because your medical plan contribution is already taken out of your paycheck on a pre-tax basis.*

*Exceptions include: qualified long term care, COBRA, any plan you have while receiving unemployment.*

*If over age 65: any employer-sponsored retiree medical plan, premiums for Medicare Part A or B or a Medicare Advantage plan. However, Medigap policies / Medicare Supplement plans (such as Medigap Security and 65 Special) are not qualified expenses.*

# HSA – Q&A

## 5. Who may contribute to an HSA?

*Most people contribute to the HSA via payroll deduction in order to avoid taxes. However, anyone may contribute to your HSA. Including Swarthmore or loved ones.*

*You may also contribute to your HSA separately from your payroll deduction.*



# HSA – Q&A

## **6. Can I change my contribution to my HSA during the plan year?**

*You are free to start, stop or modify your contribution at any time. However, it is your responsibility to ensure you do not contribute more than is allowed by the IRS.*

*You can make HSA contribution changes in Benefitfocus, and reach out to Human Resources with any issues or questions. The change will be made prospectively based on the date when the information is included in the payroll system.*

# HSA – Q&A

## **7. If my HSA is a bank account, can I use an ATM to withdraw money, do I get checks?**

*With a PNC HSA, you will receive an HSA debit card which you can use at the doctor's office, hospital or pharmacy at no charge. PNC does not offer checks and your debit card may not be used at any ATM or for cash-back transactions.*

*When you receive an invoice from a provider for a qualified medical expense, you can request your provider be paid directly from your HSA – like an online bill payment service.*



# HSA – Q&A

## 8. How does the IRS know what I contributed to my HSA?

*Money taken out of your paycheck will appear in box 12 of your W-2 as code W. It will appear as an employer contribution due to IRS regulations. You are required to complete an additional tax form due to having an HSA. When filing your annual tax return, if you have an HSA, you must complete Form 8889 to report HSA contributions and distributions.*

*If you made non-payroll contributions to your HSA, you can file to receive a tax credit.*



# HSA – Q&A

## **9. What happens if I put more money than is allowed into my HSA?**

*You must withdraw any excess funds before your federal income tax form for that year is due (usually April 15).*

*If you do not, you will pay your normal taxes plus an additional 6% penalty tax on any excess contribution.*



# HSA – Q&A

## **10. What about catch up contributions?**

*For individuals age 55 and over, the HSA contribution limit increases by \$1,000. This only applies to the primary accountholder; it does not apply to your spouse.*

## **11. What if I have money in my account at the end of the year?**

*Any remaining balance will carry over to next year. (No use it or lose it.)*

# HSA – Q&A

## **12. Should I name a beneficiary?**

*Yes, in the event that something happens to you, ownership of the HSA is transferred to your beneficiary. If your beneficiary is anyone other than your spouse, the money becomes taxable.*

## **13. When can I take money out of my HSA?**

*You can withdraw money for eligible expenses as soon as it is put into the HSA account, but not before.*



# HSA – Q&A

## 14. How much should I put into my HSA?

*You should think of your HSA as a savings account for medical expenses. Or as a 401(k) for medical expenses.*

*Since this money is yours for use now and in the future, you should consider saving as can afford.*

*Having a good cushion in your HSA is very important when you need to pay deductibles and coinsurance.*



# HSA – Q&A

## 15. Does money in my HSA earn interest?

*Initially, the HSA is a cash account. Once you have over \$500 accumulated in the account, you will have the opportunity to move money into an investment account. However, you will be required to maintain a \$500 minimum cash balance (i.e., non-invested account balance) in your HSA.*

*There is a \$2.50 per month investment fee that applies when funds are invested.*

*(You do not have direct access to investment funds for medical expenses.)*



# HSA – Q&A

## **16. How do I track my account activity?**

*You will have full access to your HSA from [www.ibx.com](http://www.ibx.com). A quarterly paper statement will be mailed to you at a cost of \$1.50 per statement, however you can opt out of paper statements to avoid this charge. Log in to [www.ibx.com](http://www.ibx.com) to opt out.*

## **17. What happens if my employment at Swarthmore ends?**

*You may keep your HSA account with the current bank or move the money into a different bank using an HSA account. Also, you can withdraw the money and pay the applicable penalties and taxes.*

# HSA – Q&A

## **18. What happens if I am no longer enrolled in a qualified High Deductible Health Plan (HDHP)?**

*You may no longer add money to your HSA. However, you may continue to save the money and use it for future eligible medical expenses with no penalty.*

## **19. Where do I access HSA forms and get help with questions?**

*To get information about your HSA, resources are available online at [www.ibx.com](http://www.ibx.com), IBC customer service representatives are also available by calling the phone number listed on the back of your health plan member ID card or the number on the back of your HSA debit card.*

# HSA – Q&A

## **20. What if I enroll in the HDHP plan mid-year due to newly eligible or life event?**

*If you limit your HSA deposits to a prorated amount of 1/12 of the annual maximum per each month you are in the HDHP, then you have no restrictions. You may change plans at the next open enrollment if desired.*

*If you place more than the prorated amount into the HSA, then you must remain in the HDHP for a minimum of 12 months following the end of the current plan year (so you cannot change for two open enrollments) or pay taxes and a 10% penalty.*

**Thank you!**