**High Deductible Health Plan (HDHP) FAQ**

1. **What is a High Deductible Health Plan (HDHP)?**

The High-Deductible Health Plan (HDHP) is a healthcare plan that includes a traditional health coverage component and a Health Savings Account (HSA) that you can set up and fund with pre-tax contributions. As the name implies, a HDHP has a higher deductible than the traditional PPO plan. The deductible in a HDHP must equal or exceed an amount specified by the IRS.

The underlying coverage is the same but you pay less per month in premiums and a higher amount as deductible before the plan starts paying for healthcare bills. Only HDHPs are eligible under IRS guidelines to have an HSA. You can withdraw the HSA funds, tax free, to pay for medical care and prescriptions and to offset the higher deductible under your traditional health plan. If you do not need to use the HSA funds in a given year, they remain yours to use for healthcare costs in the future.

For more information on the HSA, please review the HSA portion of this FAQ.

1. **Will the HDHP be the only plan offered?**

We will offer both a High Deductible Health Plan as well as a traditional PPO plan for staff to choose from.

1. **Why does GreenState Credit Union offer a HDHP?**

We want our employees to have access to great medical care when they need it. But the cost of care is growing fast in this country and for many of us it’s getting harder to keep up so we are always on the lookout for new ways to keep you covered at more affordable prices. This is why we are offering a High Deductible Health Plan to our employees. It’s a different type of coverage that pairs your typical insurance plan with a special savings account. Put the two together and you can stay protected from life’s curveballs, save on taxes, and take more control of your healthcare dollars. That could mean spending them now, if things creep up, or saving them to use in the future, even retirement.

1. **Who is eligible to enroll in the HDHP?**

All benefits eligible staff can enroll in the HDHP, but according to U.S. Internal Revenue Service (IRS) rules, not everyone is eligible to contribute to a health savings account (HSA). Because the main benefits of the HDHP are the ability to lower taxable income and get you should make sure you’re allowed to participate in an HSA by talking with a financial or tax advisor.

In general, you cannot participate in an HSA if:

* You are covered by a non-HDHP, such as a spouse’s plan, that provides any benefits covered by your HDHP. Exceptions include coverage like vision or dental.
* You are enrolled in any part of Medicare (Part A, B, C and/or D).
* You are claimed as a dependent on someone else’s tax return.
* You receive benefits under TRICARE or TRICARE for Life.
* You are enrolled in a full purpose health care flexible spending account in the same plan year.

1. **If I sign up for the HDHP and don’t like it, can I go back to the PPO?**

Yes! During Open Enrollment, you will be able to change your plan type back to the Traditional PPO we offer.

1. **If I’ll be paying all or most of the costs myself in the HDHP, can I find out in advance what a service or drug will cost?**

For medical services, Wellmark offers the Heath Care Cost Estimator, an online tool that allows you to compare not just cost, but also the quality of providers in your area. You can see what a specific procedure – from an office visit for symptoms of a cold, to major surgery – might cost at different providers near you. You can use the Health Care Cost Estimator by logging into your account at mywellmark.com

For prescription drugs, use Wellmark’s Check Drug Cost tool, an online tool to check the coverage and cost of prescription drugs. The Wellmark Drug List, also known as the formulary, details the drugs covered by your plan. With the Check Drug Cost tool, you can look up covered drugs and find out how much they will cost. The formulary changes periodically, so be sure to check it the next time you have a prescription filled.

Another resource is an App called Good Rx which allows you to compare prescription drug prices and find coupons to save up to 80% on your prescription drug costs at pharmacies near you.

1. **What will I encounter when I go to the doctor’s office or pharmacy?**

Doctor: Inform the office that you have a HDHP insurance plan. Give the office your medical ID card which indicates that payment should not be required at the time of service. The claim will be sent to Wellmark for processing. Wellmark will send the doctor and you an explanation of benefits (EOB) showing the discounted rate the doctor should charge. You will then receive a bill from your doctor.

Pharmacy: Provide the pharmacist with your medical ID card which provides you with the benefit of the discounted rate for your prescription. The pharmacist will immediately adjudicate the claim and payment would be requested at the time of service.

1. **What is a Health Savings Account?**

An HSA is a tax-favored savings account created for the purpose of paying medical expenses. In an HSA, interest earnings accumulate tax-deferred, and if HSA funds are used to pay for qualified medical expenses they are tax-free. The HSA money is yours to keep - even when you change jobs, health plans, become unemployed, move or retire. Unlike in a Flexible Spending Account (FSA), unused money in your HSA is not forfeited at the end of the year; it continues to grow, tax-deferred.

1. **Who is eligible to open an HSA?**

To be eligible, you must meet these criteria:

* You must be covered by an HSA-compatible high deductible health plan, such as our HDHP Plan.
* You cannot be covered by any other medical plan that is not an HSA compatible health plan. This would include, for example, being enrolled in your spouse’s non-HDHP plan as secondary coverage.
* You must not be eligible to be claimed as a dependent on another individual’s tax return.
* You must not be enrolled in Medicare.
* If you are a veteran, you are not eligible to open an HSA account if you have received veteran’s benefits within the last three months.

1. **Why should I elect an HSA?**
2. *Cost Savings*

* Triple tax benefits
* HSA contributions are excluded from federal income tax
* Interest earnings are tax-deferred
* Withdrawals for eligible expenses are exempt from federal income tax
* Reduction in medical plan contribution
* Unused money is held in an interest-bearing savings or investment account

Note: Many states have not passed legislation to provide favorable state tax treatment for HSAs. Therefore, amounts contributed to HSAs and interest earned on HSA accounts may be included on the employee’s W-2 for state income tax purposes.

1. *Long-term Financial Benefits*

* Save for future medical expenses.
* Funds roll over from year to year.
* Account is portable—you take it with you even if you leave the company.

1. *Choice*

* You control and manage your health care expenses.
* You choose when to use your HSA dollars to pay your health care expenses.
* You choose when to save your HSA dollars and pay health care expenses out-of-pocket.
* You decide whether to use your HSA dollars to pay for non-medical expenses and incur the additional taxes.

1. **How is my HSA funded?**

Your HSA is funded by your own pre-tax contributions through payroll deductions. The HSA is an actual account, and we have partnered with the current FSA provider, Discovery Benefits to administer the HSA. You may also make an after-tax contribution directly to Discovery Benefits, but you lose the pre-tax benefits by not using payroll deduction. These after-tax contributions can be taken as a tax deduction at year end.

1. **How much may I contribute to my HSA?**

The annual contribution maximum for all pre-tax and post-tax contributions is set by the US Treasury and the IRS.

1. **May I ever contribute more than the annual limit?**

If you are 55 or older at any time during the calendar (tax) year and are not enrolled in Medicare you are eligible to contribute an additional $1,000 above the regular limits. This is called a “catch-up” contribution and can be made each year until you enroll in Medicare. Only the account holder can make this contribution and it may be prorated if you’re enrolled in the plan less than 12 months. Catch-up contributions can be made the same way your regular contributions are.

1. **When do I use my HSA?**

After visiting a physician, facility or pharmacy, your medical claim will be submitted to your HDHP for payment. Your HSA dollars can be used to pay your out-of-pocket expenses (deductibles and coinsurance) billed by the physician, facility or pharmacy, or you can choose to save your HSA dollars for a future medical expense.

You may also be able to use an HSA debit card to access your HSA funds, if your HSA custodian or trustee allows it.

You may use your HSA for non-medical expenses. However, HSA amounts that are used for non-medical expenses are taxable as income to you and are generally subject to an additional 20% penalty.

1. **Can I use my HSA funds to pay for dental or vision expenses?**

Yes, you may, but remember that money spent on dental or vision expenses does not count toward your HDHP deductible. If you use HSA funds for dental and vision expenses you will have less in your account to help pay for medical expenses should you incur a large claim.

1. **Can I hold onto my receipts throughout the year(s) and simply pay myself back when I am in a situation that leaves me “strapped for cash”?**

Yes, as long as the eligible medical expenses were incurred after the establishment of the HSA, it can be paid in a subsequent year. As this is an individual account, there is no deadline to submit your requests for reimbursement out of your HSA.

1. **Where can I find a list of what the IRS considers "qualified expenses" for the HSA?**

Qualified medical expenses are detailed in IRS publication 502: Medical and Dental Expenses, <http://www.irs.gov/pub/irs-pdf/p502.pdf>. The same expenses are considered "qualified expenses" for a health savings account as for a flexible spending account. You can also find the list on the Discovery Benefits website at <https://www.discoverybenefits.com/employees/eligible-expenses>.

1. **What expenses are not eligible?**

Any amounts used for purposes other than to pay for qualified medical expenses are taxable as income and subject to an additional 20 percent penalty. Examples of taxable expenses include:

• Medical procedures and expenses not considered qualified under federal tax law

• Over-the-counter drugs and medications without a prescription (except insulin)

• Other types of health insurance

• Medicare supplement insurance premiums

• Non health-related expenses

If you are age 65 or older or disabled at the time you use your HSA funds for a non-qualified medical expenses, you will not have to pay the 20% penalty, but will still have to pay income taxes on the amount.

1. **Can I use my HSA dollars to pay for my medical premiums?**

You cannot treat insurance premiums as qualified medical expenses unless the premiums are for:

• Long-term care insurance

• Health care continuation coverage (such as coverage under COBRA).

• Health care coverage while receiving unemployment compensation under federal or state law

• Medicare and other health care coverage if you were 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap)

1. **Can I use my HSA dollars to pay for Nursing Home or Assisted Living Expenses?**

According to IRS Publication 502, you can include in medical expenses the cost of medical care in a nursing home, home for the ages, or similar institution for yourself, your spouse, or your tax dependents.  This includes the cost of meals and lodging in the home if a principal reason for being there is to get medical care.  If the reason for being in the home is personal, you would not be able to include the cost of meals and lodging.  You can, however, include in medical expenses the part of the cost that is for medical or nursing care.

1. **What if I have unused money left over in my HSA at the end of the year?**

Not a problem! Your HSA funds roll over from year to year and accumulate in the account until you are ready to use them.

1. **Can I have more than one HSA?**

An individual may contribute to more than one HSA for themselves; however, the total contribution of all HSA contributions may not exceed the annual limit. You and your spouse may both have HSAs if you both have high deductible health insurance coverage.

1. **What if I use the money in my HSA account to pay for non-qualified medical expenses?**

The amount you spend on the non-qualified expense will be considered part of your taxable income. You will also owe a 20% penalty on that amount. In addition non-qualified expenses will not apply towards your deductible. If you used HSA funds for non-qualified medical expense, you can return the money to your HSA, as long as you do so prior to the tax filing deadline for the year in which you knew (or should have known) the withdrawal was a mistake. If you return the money before the deadline, you will not have to pay a penalty for this.

1. **What happens to my HSA if I pass away?**

Upon establishment of your HSA account, you will be asked to designate beneficiaries for your account. What happens to that HSA when you pass will depend on whom you designate as the beneficiary.

1. **Spouse is the designated beneficiary.** If your spouse is the designated beneficiary of your HSA, it will be treated as your spouse's HSA after your death.
2. **Spouse is not the designated beneficiary.** If your spouse is not the designated beneficiary of your HSA:

•The account stops being an HSA, and

•The fair market value of the HSA becomes taxable to the beneficiary in the year in which you die.

1. **If your estate is the beneficiary.** If no beneficiaries are designated or your estate is the beneficiary, the value is included on your final income tax return..
2. **What are my responsibilities in terms of HSA record-keeping?**

If you have an HSA, you are ultimately responsible for proving how the account is used because it is individually owned. Typically, your HSA provider will give you an HSA debit card (or checks) to pay directly from your HSA, or you can pay out-of-pocket and request reimbursement later. With an HSA, you must keep proper records for your expenses to avoid tax headaches later on.

1. **What is the difference between an HSA and Flexible Spending Account (FSA)?**

Both accounts offer a tax shelter for you to save for medical expenses and use similar types of expenses that are eligible for reimbursement. An FSA has a lower annual contribution limit and the funds invested must be used on qualified medical expenses during the current plan year or the funds are forfeited. The account is linked to the employer so if the employee leaves employment mid-year, the FSA contributions stop and reimbursable expenses have to have occurred during the employment period to qualify for reimbursement. The contributions are set up during open enrollment by the employee and then cannot be altered during the plan year unless there is a life change, such as marriage, divorce, or the birth of a child. With an HSA, contribution limits are higher than a FSA, and unused funds during the year can be rolled over to future plan years without a penalty. The funds are also portable so the employee can take them with them if they leave employment. Employee contributions can be changed any time during the year as the employee sees fit with no life changes being required.

1. **Can I contribute to both an HSA and an FSA in the same year?**

Enrolling with a Full Purpose FSA will make you ineligible to make any HSA contributions. However, you are able to enroll with a Limited Purpose FSA (an FSA that covers only vision and dental care on a first dollar basis) and still be eligible to contribute funds into your Health Savings Account.

1. **If my child is on my spouse's insurance at another employer, can I pay for my child's healthcare expenses out of my health savings account?**

You can pay the expenses for anyone who is a tax-dependent regardless of what health plan that dependent is enrolled in. IRS guidelines say that adult non-tax dependent children covered by their parent’s HDHP cannot have any of their medical expenses paid for out of their parent’s HSA. The adult child qualifies for an HSA and will need to set up his or her own.

1. **My child is 24 years of age and covered on our health plan. May I pay for her medical expenses from my health savings account?**

Yes, but only if she is a tax-dependent. IRS guidelines say that adult non-tax dependent children covered by their parent’s HDHP cannot have any of their medical expenses paid for out of their parent’s HSA. The adult child qualifies for an HSA and will need to set up his or her own.

1. **If I'm enrolled in the Traditional PPO plan, can I still set up a Health Savings Account?**

No, the IRS requires that you be enrolled in a high deductible health plan to have a health savings account.

1. **My spouse works for a different employer but we both have high deductible plans. If he has a HDHP at his employer and I have one at GreenState, may we share a joint health savings account?**

No, unfortunately the IRS will not allow a joint HSA for spouses/partners. An HSA can have only one owner. If both spouses are eligible to contribute to an HSA, they are both eligible to establish separate HSAs and can contribute the family maximum (see question above) between the two accounts. If both spouses want to make “catch-up” contributions when they are age 55+, they must establish separate accounts.

1. **If I enroll in the HDHP and my spouse, who works for a different employer, is enrolled in a Traditional PPO and contributes to an FSA, is that allowed?**

Yes, but only the medical expenses of your spouse can be claimed against her FSA dollars. If you and your children are covered under the HDHP, she would not be able to run any of the medical claims for those covered under HDHP against her FSA dollars.

1. **You indicated that my HSA dollars can only be used on my tax dependents. I am divorced. How would that work in the years where I don’t claim my children on my taxes?**

A child of parents that are divorced, separated, or living apart for the last 6 months of the calendar year is treated as the dependent of both parents whether or not the custodial parent releases the claim to the child’s exemption.

1. **This plan sounds too good to be true, is there ever a situation where this wouldn’t be a good fit?**

We truly believe that an HDHP can work for anyone regardless of the stage of your life you are in, however more often than not, we find that a HDHP may not be a good fit for individuals who struggle with saving. With the high deductible and the ability to participate in an HSA, the HDHP is a very different type of plan. Because out-of-pocket costs in the HDHP could be much higher than in the Traditional PPO we offer, you should learn all you can about the plan and think carefully before changing to the HDHP.