

Consumer Driven – High Deductible Health Plan with a Health Savings Account
(CD - HDHP HSA)

Frequently Asked Questions

What is a Consumer Driven - High Deductible Health Plan (CD-HDHP)?

The CD—HDHP with HSA is a health plan option with **no premiums to full-time employees (part-time employees premiums will be prorated to FTE)**, which means there are no premium deductions from your paycheck. The deductibles for the CD—HDHP are **determined by the Internal Revenue Service (IRS)** and are as follows: **\$1,200 for the employee only**, and **\$2,400 for an employee plus family**. For high deductible plans, the IRS only allows two tiers, employee, and employee plus family. For the 2008-09 plan year, **Benton County will contribute 50% of the deductible on August 1, 2008 (the start of the plan year) to the employees HSA, \$600 for the employee, and \$1,200 for family**. For new employees **enrolling after August 1, 2008, the County's contribution will be prorated** to the date of hire.

What is a Health Savings Account (HSA)?

This is an account that can be funded by you as an employee of Benton County and by the County. This fund is established to help pay for eligible medical expenses not covered by the CD-HDHP, such as the deductible and co-pays.

WHO IS ELIGIBLE TO ENROLL

1. Who is eligible for the County's Consumer Driven High Deductible Health Plan (CD-HDHP)?

Benefit eligible employees of Benton County have the option to enroll in the Traditional PPO plan or the Consumer Driven High Deductible Health Plan. **The provider for both plans is Pacific Source.**

2. Who is eligible to participate in the County's HSA?

Benton County **employees who are enrolled in the CD-HDHP and do not have other medical coverage. Due to IRS federal regulations, certain employees and family members may not qualify for the HSA plan.**

3. Who is NOT eligible to participate in the HSA plan?

- **Employee's covered by another plan** (such as a spouse's health plan)
- **Employee's who do not enroll in Benton County's high deductible health plan**
- **Domestic partners (unless he/she is considered a tax qualified dependent)**
- Anyone who is **entitled to and enrolled in for Medicare benefits**
- **A dependent that can be claimed as a dependent on another person's tax return.**

4. If a member of my family is NOT eligible to participate in the HSA plan (see prior question), then can I elect to enroll that member in the CD-HDHP?

Yes, this is allowed. If you and a family member (family member not eligible to participate in the HSA) enroll in the CD-HDHP, the County's contribution into the HSA will be for the eligible participant only (meaning the employee). However, the funds in the HSA can be available for the medical expenses of the non-eligible participants.

5. What if my legal spouse is enrolled in another plan?

If your spouse is enrolled in another plan, then **you have the option to elect the County's CD-HDHP as an employee only or employee plus family.**

By enrolling in the CD-HDHP as an employee only, your deductible will be \$1,200. The County will contribute \$600 (employee only) of the \$1,200 in your HSA account. You still will be allowed to use the

HSA account to pay for qualified medical expenses for yourself, your spouse and your tax-qualified dependent children.

By enrolling in the CD-HDHP as an employee plus family (with the non HSA eligible spouse), **your deductible will be \$2,400. The County will contribute \$600 (employee only)** of the \$2,400 in your HSA account. You still will be allowed to use the HSA account to pay for the qualified medical expenses for yourself, your spouse and your tax-qualified dependent children.

6. What if I'm not entitled to Medicare, but my legal spouse is?

If your spouse is entitled *and* enrolled in Medicare, then **you have the option to elect the CD-HDHP as an employee only or employee plus family.**

By enrolling in the CD-HDHP as an employee only, your deductible will be \$1,200 and the County will contribute \$600 (employee only) in the HSA account. You still will be allowed to use the HSA account to pay for qualified medical expenses for yourself, your spouse and your tax-qualified dependent children.

By enrolling in the CD-HDHP as an employee plus family **(with Medicare eligible spouse), your deductible will be \$2,400 and the County will contribute \$600 (employee only) in the HSA account.** You still will be allowed to use the HSA account to pay for the qualified medical expenses for yourself, your spouse and, your tax-qualified dependent children.

7. What if my dependent children are covered under another plan?

Because the **IRS rules allow tax-qualified dependent children to have dual coverage**, the County will contribute \$1,200 (employee and tax-qualified dependent child/children) of the \$2,400 in your HSA account.

8. Can I use the money in my HSA account to pay for my dependents' medical expenses?

You can pay for expenses of your spouse and your tax-qualified dependent children even if they are not covered by your CD-HDHP.

NOTE: Expenses for your spouse and dependents are only available to IRS tax-qualified dependents. Therefore, expenses for domestic partners are generally not allowed.

CONSUMER DRIVEN HIGH DEDUCTIBLE PLAN AND HSA CONTRIBUTIONS

9. How is the CD-HDHP deductible different than the County's Traditional medical plan?

The Traditional plan has a \$150 deductible per person in the family, with a maximum family deductible of \$450. This **means the employee's deductible is \$150, the spouse or domestic partner has his/her own \$150 deductible, and there is only one \$150 deductible for all children.**

For employees who enroll with one or more dependents on the CD-HDHP the **deductible is cumulative**, meaning the entire family deductible (\$2,400) must be met before the CD-HDHP will begin paying for services. The County's contribution will be \$1,200 (employee, qualifying spouse or tax-qualified dependent, or both)

For employees who enroll as an employee only in the CD-HDHP, the \$1,200 deductible must be met before the plan will begin paying for services. The County will contribute \$600 (employee only).

10. Is the prescription plan different than the County's Traditional medical plan option?

Yes, due to IRS federal regulations prescription costs must apply to the deductible. Therefore, until the high deductible is met, these costs will be considered out-of-pocket and, as a result, eligible for reimbursement under your HSA.

Once the deductible is met, prescription co-pays apply.

11. How much will the County contribute to my HSA account?

By enrolling in the high deductible health plan, Benton County will contribute 50% of the deductible to your HSA. This 50% is based on IRS federal tax-qualified dependents that enroll in the health plan.

<u>ENROLLMENT</u>	<u>DEDUCTIBLE</u>	<u>COUNTY CONTRIBUTION IN HSA</u>
Employee only	\$1,200	\$600
Employee + legal spouse	\$2,400	\$1,200
Employee + Non Eligible Spouse	\$2,400	\$600
Employee + dependents	\$2,400	\$1,200
Employee + Non tax qualified Dependent	\$2,400	\$600
Employee, legal spouse, + dependents	\$2,400	\$1,200

12. Can I contribute to my HSA account?

Yes, you can contribute funds in to your HSA account on a pre-tax basis via payroll deduction.

Employees who participate in the CD-HDHP are saving money by not paying for a portion of the premium. This savings is a great opportunity to elect to contribute into your HSA fund.

The annual HSA employee contribution limits are the following:

- **\$2,900 (not including the County's contribution) for individual coverage or \$5,800 (not including the County's contribution) for family coverage**

Individuals that are age 55 or older may be eligible to make additional contributions not exceeding \$900.

MANAGING THE HSA ACCOUNT

13. How do I manage my HSA?

The HSA account is your account; the HSA dollars are your dollars. Since you are the account holder or HSA beneficiary, **you manage your HSA account.** You may choose when to use your HSA dollars and when *not* to use your HSA dollars. HSA dollars pay for any eligible medical expense. Most commonly, the HSA account holder will pay their out-of-pocket medical expenses (i.e. deductible and co-pays) associated with their HDHP plan with their HSA dollars.

14. What medical expenses are eligible for reimbursement from my HSA?

HSA dollars may be used for qualified medical expenses incurred by the account holder and his or her spouse and dependents. **Qualified medical expenses are expenses for medical care and are outlined within IRS Section 213(d). In summary, IRS Section 213(d) states that "the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness."**

In addition to qualified medical expenses, **the following insurance premiums may be reimbursed from an HSA:**

- **COBRA premiums;**
- **Health insurance premiums while receiving unemployment benefits;**
- **Qualified long-term care premiums; and**
- **Any health insurance premiums paid, other than for a Medicare supplemental policy, by individuals ages 65 and over.**

15. What expenses are NOT eligible for reimbursement from my HSA?

The following expenses may not be reimbursed from an HSA:

- Premiums for Medicare supplemental policies;
- Expenses covered by another insurance plan; or
- Expenses incurred prior to the date the HSA was established.

16. Can I use my HSA dollars for non-eligible expenses?

Money withdrawn from an HSA account to reimburse non-eligible medical expenses is taxable income to the account holder and is subject to a 10% tax penalty, unless over age 65, disabled, or upon death of the account holder.

17. When can I start using my HSA dollars?

You can use your HSA dollars immediately following your HSA account activation and once contributions have been made.

- For the 2008 plan year, the County will contribute the full HSA contribution (50% of the deductible) to your HSA on August 1, 2008 of this year.

18. What if I have HSA dollars left in my account at year-end?

The money rolls over in to the next plan year. It will continue to earn interest and will be available for you and your healthcare costs next year.

19. What happens to my HSA dollars if I leave my employer?

The funds are yours to keep. You may elect one of the following options:

- Leave your funds in the current HSA account;
- Transfer your funds to an HSA with your new employer; or
- Transfer your funds to another qualifying account within 60 days.

Any account expenses must be paid by you after termination.

20. Can my HSA dollars be used for retirement health care costs?

Yes, only for expenses eligible for reimbursement.

21. My employer offers an FSA – can I have both an FSA and an HSA?

No, the exception is using the FSA for dependent daycare. The County's Flexible Spending Arrangements (FSAs) will not be available to employees participating in the CD-HDHP & HSA.

The County's dependent daycare reimbursement account will be available to employees, regardless of the health plan that is selected.