Frequently Asked Questions About Health Savings Accounts

This document will help answer some of the questions that you might have about the HSA which is a Consumer-Driven Health Care Plan (CDHC).

1. What is a Consumer-Driven Health Care (CDHC) Plan?
A Consumer-Driven Health Care Plan:

- Combines a high deductible health plan with a consumer savings vehicle;
- Prompts you to have a greater involvement in healthcare utilization decisions;
- Provides a fund for you to manage so you will be more conscious of the cost of services;
- Encourages you to maintain a healthy lifestyle by utilizing preventive health and condition management resources.
- It's about choosing the right health care plan to meets the needs of your family and you.

2. What is a Health Savings Account (HSA)?
A HSA is an individual savings account, much like an IRA, which you set up in your name.

- You may put tax-free contributions into an eligible HSA.
- You are not required to use the money; any funds left over at the end of the year can be rolled over so you may save it for the future and let it accumulate tax-free. Or you can make tax-free withdrawals for medical expenses.
- These accounts are governed by specific IRS rules and contributions are allowed only if you are insured by a "qualified" high deductible health plan (HDHP).
- You may not participate in any other non-HDHP.

3. Where is the HSA account set up?
A qualified bank or insurance company must be the HSA trustee or custodian. Currently the bank custodian is Avidia.

- Effective July 1, 2017 MSD will fully transition to the new bank custodian, BenefitWallet.
- Be sure to review the communication being sent to you about this transition and the necessary steps you need to take if you are currently on a HSA plan.

4. What are the contribution limits for HSAs?
The maximum contributions that can be made to a health savings account in tax year **2017 are:**

- For employees with single coverage, the maximum is **$3,400** (includes MSD contribution of $1,500).
- For employees with family coverage, the maximum is **$6,750** (includes MSD contribution of $3,000).
- HSA holders who are age 55 or older can make additional "catch-up" contributions until they enroll in Medicare. The amount of that contribution is limited to an additional **$1,000** per year.

5. How does the high deductible health plan work?
Unlike an HMO and a PPO plan which include only a co-payment for many services, *all services* covered by this plan are subject to the deductible and coinsurance amount shown on the summary of benefits.

The one exception to that rule is preventive care services which are paid at 100% for in-network care, due to health care reform. Prescription drugs are subject to the same deductible as all other services.

There is another important difference between the high deductible plan that goes with your HSA and the other plan options. The deductible is calculated a little differently than you are used to.

- If you are a single person covered by an individual plan, the annual deductible is $2,000.
- If you are covered by a two-person or family plan, there is no individual deductible. The $4,000 annual deductible is a family deductible. Benefits will not be paid for any member until the total family deductible has been satisfied. It is possible that the entire deductible could be satisfied by only one member.

6. What types of preventive services are not subject to the deductible?
The following is a partial list of services that are considered preventive and therefore not subject to the deductible.

- Office visits for preventive services
- Screening tests
- Immunizations including flu shots
- Mammograms
- Pap Tests

You will receive a complete list from Anthem during the open enrollment sessions.

7. Assuming the HSA contributions will be made through payroll deductions, what happens if I don't have enough money in my HSA account when I need it?
You can only spend money that is actually in the account. So if you incur an expense early in the year that costs more than the balance that has accumulated so far in your account, there are two ways that you can handle that expense in order to get the tax advantage.

1. You can write a check from your own checkbook to put additional money (post tax dollars) into the HSA account (assuming that you are still within the contribution limits). Then you can pay for the expense using your HSA account.

    a. In this scenario, you would take an "above the line" deduction on your income tax forms at tax time in order to get the tax benefit. This is true whether or not you itemize deductions.

2. You can pay the entire expense out of your own personal checkbook. Then when the HSA account balance has accumulated enough to cover the expense, you can cut a check to yourself out of the HSA account.

You can also contact the Health Provider to set up a monthly payment plan to pay as our funds become available.

8. What types of expenses can be paid from an HSA?
The following types of medical expenses are eligible:

- Any medical expense used to meet the medical plan deductible.
- If the deductible is met, any portion the employee pays for covered services.
- Any medical expenses that the IRS considers qualified medical expenses for tax purposes – the IRS 213(d) list. This includes expenses such as dental, vision, hearing aids and over-the-counter drugs that have a doctor's prescription. A list of these expenses is available in IRS Publication 502 (www.irs.gov).
- Procedures not covered by traditional medical plans such as laser eye surgery and alternative medicine treatments.
- The cost of health insurance premiums while you are unemployed or on COBRA.
- Long term care insurance premiums.

9. Can the money in my HSA account be used for anything other than eligible medical expenses?
If you use HSA dollars for anything other than medical expenses you must pay the income tax on the amount withdrawn, plus a 20% penalty. After age 65 the 20% penalty no longer applies.

10. Can I use the money in my account to pay for my dependents' medical expenses?
You can use the money in the account to pay for the medical expenses of yourself, your spouse or your tax dependent children. You can pay for expenses of your spouse and tax dependent children even if they are not covered by your HDHP.

11. Can couples establish a "joint" account and both make contributions to the account, including "catch-up" contributions?
"Joint" HSA accounts are not permitted. Each spouse should consider establishing an account in his or her own name. This allows you to both make catch-up contributions when you are 55 or older.

12. Will I still be able to contribute to and use a Health Care Flexible Spending Account (FSA) with my HSA?
No, but you will still receive a tax advantage by contributing money to your HSA, and there is no "use it or lose it rule" like an FSA. Anything in the HSA account is yours to keep.

13. Will I still need to pay a premium?
Yes. Premium dollars withheld from your paycheck will continue to pay for the Anthem Lumenos medical plan.

The information in this document is for informational purposes only and is not intended as legal advice. You should consult with your tax adviser for specific questions on how you might be impacted by this plan.