High Deductible Health Plan (HDHP) with HSA FAQ

1. **How does the HDHP provider network compare to the PPO provider network?**
   The network for the HDHP is the same provider network being utilized by the current Platinum PPO plan.

2. **How do the HDHP out-of-pocket maximum costs compare to the Platinum PPO out-of-pocket maximum costs?**
   The Platinum PPO out-of-pocket maximum is $1,350 plus copays for single coverage and $2,700 plus copays for family coverage (assuming two members in a family; up to $1,000 in coinsurance for each additional member). The HDHP out-of-pocket maximum is $2,600 for single coverage and $5,200 for family coverage minus any Health Savings Account (HSA) contributions made by the District.

3. **How do the HDHP provider billable rates compare to the PPO provider billable rates?**
   Because the HDHP Network is the same as the Platinum PPO Network, the HDHP provider billable rates will be the same as the PPO provider billable rates. However, you will pay the full billable rate until you have satisfied the deductible with the HDHP instead of paying copays or coinsurance with the Platinum PPO. You can review billable rates by referring to your Explanation of Benefits (EOBs) on your Blue Access for Members account at www.bcbsil.com/member.

4. **How do the HDHP prescription billable rates compare to the PPO prescription billable rates?**
   The HDHP prescription billable rates are exactly the same as the Platinum PPO prescription billable rates. However, you will pay the full billable rate until you have satisfied the deductible with the HDHP instead of paying copays with the Platinum PPO. You can review billable rates by reviewing the prescription claim receipts you receive from the pharmacy.

5. **What preventive care services are covered 100% prior to meeting the deductible?**
   Routine annual physicals, immunizations, contraceptives, and screening tests as determined by the U.S. Preventive Services Task Force (USPTF).

6. **Will the HDHP cover prescription drugs <u>before</u> meeting the deductible?**
   The HDHP will only cover preventive care prescriptions as determined by the USPTF, such as birth control, at 100% before meeting the deductible.

7. **May I be enrolled in the HDHP and also have secondary health insurance through my spouse's employer? Other than the potential spousal surcharge, are there any penalties for dual insurance coverage?**
   You may be enrolled in other secondary health insurance, however if the secondary health insurance is Medicare or a non HSA-qualified medical plan then you are not allowed to receive or contribute money into an HSA per the IRS.

8. **What is an HSA?**
   An HSA is a Health Savings Account, a savings account for health care costs that is available to individuals who are covered under qualified HDHPs. Funds deposited into the account and earnings are tax-deferred; funds withdrawn for IRS qualified medical expenses are tax-free.

9. Who is eligible to contribute to an HSA?

To be eligible to contribute, an individual must be:

- Covered by a qualified HDHP
- Not enrolled in Medicare Part A or Part B
- Not listed as a dependent on another person's income tax return
- Not covered by another non-HSA qualified medical plan

Your spouse's non-HSA qualified coverage does not affect your ability to contribute to an HSA as long as it does not cover you. However, if you or your spouse participates in a Health Flexible Spending Account (FSA) you are considered "covered" by a non-HSA qualified plan and as such cannot contribute to an HSA, unless the FSA is limited-purpose and applies only to dental and/or vision expenses.

For the reasons listed in #10 below, it is more advantageous to pair your HDHP with an HSA rather than a Health FSA. If you or your spouse are enrolled in a Health FSA and you wish to enroll in an HSA instead, you will need to wait until the Health FSA plan year has ended. If you still have a balance at the end of your Health FSA plan year and utilize either a grace period or rollover, you will not be able to enroll in an HSA until the end of the grace period or rollover plan year.

10. How does an HSA differ from a Flexible Spending Account (FSA)?

There are three main differences between an HSA and FSA:

- An FSA does not require an individual to be enrolled in an HDHP like an HSA does.
- An FSA has a contribution limit of $2,500, significantly less than an HSA's contribution limit of $3,350 for individual coverage and $6,650 for family coverage.
- FSA dollars that are not used within a plan year are forfeited by the employee and are returned to the District to offset plan expenses, unlike HSA dollars which do not have to be used within a given plan year and can continue to accumulate year after year.

11. What happens if I no longer meet the eligibility requirements for contributing to an HSA?

If you cease to meet the criteria listed above, you may no longer contribute to an HSA. However, the balance of your HSA will not be affected and you may use any existing funds for IRS qualified medical expenses or continue to save the funds for later use.

If you are not HSA eligible for the entire tax year, it is generally prudent to prorate your contributions by the number of months in which you were eligible on the first day of the month. However, the Last Month Rule allows you contribute the full limit for a tax year if you are HSA-eligible on December 1st and continue to stay HSA-eligible during the entire following tax year. If you exercise the Last Month Rule and contribute the full amount but do not remain HSA-eligible for the entire next tax year, you will be subject to taxes and a penalty.

12. How much can I contribute to an HSA?

Contributions limits are adjusted annually by the IRS and apply to both employer and employee contributions combined. For 2015, the maximum contribution is $3,350 for self-only coverage and $6,650 for family coverage, plus an additional $1,000 catch-up contribution for individuals over the age of 55. If both husband and wife are over 55, they may each contribute an additional $1,000 annually as long as they each have their own HSA account.

13. **How do I make contributions to an HSA?**
Contributions can be made by an employee using pre-tax payroll deductions, bank deposits, or a one-time rollover from an IRA, as well as through deposits made by the employer. Contributions for the taxable year must be made by the April 15th tax-filing deadline. The District has the right to set administrative rules for payroll deductions to maintain accurate payroll records and minimize administrative burden.

14. **Will the District contribute money to my HSA?**
The District has committed to contributing $1,000 for single coverage and $2,000 for family coverage in 2015. Half of the contribution will be deposited into the HSA on January 1st, the other half will be made in equal payroll installments beginning with the first payroll in July. Please note: if you are not eligible for an HSA effective January 1st, the District's contribution will be prorated. District contributions for future plan years will be determined by the Board with the recommendation of the Insurance Committee.

15. **Does the state of Illinois tax HSA contributions?**
No.

16. **Who manages the HSA?**
Each employee manages their own HSA through a bank acting as a custodian. The employee is responsible for determining their own eligibility, monitoring their contribution limit, and verifying IRS qualified medical expenses.

17. **Will there be banks to choose from for my HSA? May I use my own bank or do I have to use the District's bank choice?**
The District has chosen BMO Harris Bank to make payroll deduction contributions into employees' HSAs. Individuals may choose to transfer their HSA balance from BMO Harris into an HSA at the bank of their choice, however it is not administratively feasible for the District to have payroll deduction contributions sent to a different bank.

18. **Will the District pay all of the administrative and maintenance fees for my HSA?**
BMO Harris does not charge administrative or monthly maintenance fees for HSAs, however, you may be assessed miscellaneous fees for actions such as using non-BMO Harris ATMs or overdrafting. Any fees assessed are the responsibility of the employee.

19. **What happens to my HSA balance if I quit working for the District?**
The HSA is owned and maintained by the employee. If an employee chooses to quit working for the District, they retain the HSA and its full balance because they are the owner of the account. The funds in the account can still be used to pay for IRS qualified medical expenses tax-free (even if you no longer have HDHP coverage) or can be left in the account to gain tax-free interest until used. You will not be eligible to make further contributions to the HSA account, however, unless you meet the eligibility requirements including qualified HDHP coverage.

20. **What happens to my HSA balance if I die?**
When the HSA is set-up, the bank will ask you to name a beneficiary. If your surviving spouse is the named beneficiary, the account will be become their HSA. If the named beneficiary is an estate or an individual other than a surviving spouse, the account will cease to be an HSA and will be included in the federal gross income of the estate or beneficiary.

21. **What happens to my HSA balance if I don't meet my deductible in the plan year? Does the employer contribution amount stay in my HSA and carryover to the next plan year? Does the employer HSA contribution amount get refunded back to the District if I don't meet my deductible?**
    Money contributed to an employee's HSA from the District belongs to the employee and can only be taken back if it was put into the account by error. An HSA works similarly to a traditional savings account; money does not have to be used in a given plan year and can accumulate from year to year without any penalty.

22. **What are the stipulations on what I can use my HSA dollars to pay for? May I spend HSA dollars on OTC medication?**
    HSA funds belong to you and may be withdrawn for any purpose, at any time. However, funds withdrawn for reasons other than for IRS qualified medical expenses will be taxed and, for those under age 65, subject to a penalty.

    Funds for IRS qualified medical expenses may be withdrawn tax- and penalty-free as long as the expenses are incurred after the HSA was established. You may even use HSA funds tax- and penalty-free for the qualified medical expenses of your IRS-defined tax dependents even if they are not covered under the HDHP. Qualified medical expenses are defined under Section 213 of the IRS Code (see IRS Publication 502).

    An individual may use their HSA dollars on OTC medications tax- and penalty-free only if they have a prescription from a physician.

23. **How do I reimburse myself from the HSA?**
    The method of reimbursement depends on the financial institution; BMO Harris offers reimbursements through the use of a debit card, bank withdrawal or check (HSA checks available upon request). You do not need to substantiate your reimbursement at the time of withdrawal but you will need to keep records of your IRS qualified medical expenses and records of when you reimburse yourself. There is no time limit on when you must reimburse yourself.

24. **How will my HSA affect how I prepare my personal tax return?**
    HSA contributions made via payroll deduction will be included on your W-2. Contributions made by other means will be reported to the IRS by the financial institution and you will receive a Form 8889 that provides the dollar amount contributed to the HSA. Any money that is withdrawn from the HSA will be reported to the IRS and the individual on an HSA 1099. The individual will be required to state whether or not the withdrawals were used for HSA tax-free IRS qualified expenses. If the expenses are qualified, no tax is paid. If the expenses are not qualified, the individual pays income tax, plus a 20% penalty if under the age of 65. As long as HSA dollars are used for IRS qualified expenses, employees will not pay a tax or penalty. You do not need to submit proof of qualified medical expenses but you should keep your receipts and doctor's prescriptions for OTC items in case of a tax audit.