

# High Deductible Health Plans

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## Health Savings Accounts



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*High Deductible Health Plan  
(HDHP)*

# What is a High-Deductible Health Plan (HDHP)

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- A medical and prescription plan with an up-front deductible applicable to **all** eligible medical and pharmacy expenses except for preventive care.
- Can be combined with a Health Savings Account (HSA) if you meet the eligibility requirements.



# HDHP Deductible and Out of Pocket Maximum

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- There is a \$1,500 individual/\$3,000 family deductible and \$3,000 individual/\$6,000 family out of pocket maximum.
- There is **no** individual limit built into the family deductible or out of pocket maximum.

## Example:

- Employee incurs \$1,500 in deductible expenses on Feb 1<sup>st</sup>.
- Spouse incurs \$1,000 in deductible expenses on Sept 1<sup>st</sup>.
- Child incurs \$500 in deductible expenses on Sept 10<sup>th</sup>.

Coinsurance/copay coverage begins on Sept 10<sup>th</sup> because the full \$3,000 family deductible is met.

Once the family reaches the \$6,000 out of pocket maximum, services for **all** family members are covered at 100% for the remainder of the calendar year.

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# *Health Savings Account (HSA)*

# Health Savings Account

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- An HSA is an individually owned back account that allows you to set aside pre-tax dollars to pay for qualified out of pocket expenses.
- The employer and employee can make tax-free deposits into an HSA.
- Any unused funds roll over year to year.
- You decide how and when to use the money available in the account.
- HSAs can be used to cover:
  - Insurance deductibles, copays and coinsurance
  - Qualified health care expenses (including dental & vision)
- 2021 HSA contribution limit is a flat dollar amount.
  - **\$3,600** for individual \*
  - **\$7,200** for family \* } *for 2021*
- Wesleyan matches employee contributions up to \$500 annually. This is accounted in the contribution limit noted above.
- Those age 55 or over can contribute an additional \$1,000 annually.



# Why choose an HSA?

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## Easy win in today's complex health care system:

- Save now:
  - HDHP have lower monthly insurance premiums.
  - HSA deposits are made on a pre-tax basis.
  - Typically lowers income tax liability.
- Save for the future:
  - HSA funds rollover from year to year, no “use it or lose it” feature.
  - No overall fund maximum.
  - You keep the money even if you change jobs or insurance plans
  - Tax-free interest earned.
  - Comprehensive and easy investment options.
- Same doctors, same network.

## How To Contribute To Your HSA









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- Make pre-tax contributions through payroll deductions.
  - Change your payroll contributions at any time.
  - Employer match will only be available to match pre-tax payroll deductions.
- Make post-tax contributions directly to HSA Bank online or by sending a check.
- Can make contributions until April 15th for the previous tax year.



# Who is eligible for an HSA?

	Eligible	Ineligible
Enrolled in High-Deductible Health Plan		
Enrolled in non-HDHP plan, such as OAPIN/OAP		
Enrolled in Medicare (Parts A, B, C or D) or TRICARE		
Received VA or Indian Health Services benefits in last 3 months		
Enrolled in a full Flexible Spending Account (FSA), or covered under spouse/partner's FSA		
Individual or spouse/partner participating in HRA		
Claimed as dependent on another's tax return		
Children over the age of 19 (or 23 if full-time student), must open their own HSA account, cannot use parents account		

# HSA – How it Works

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## At the Doctor's Office

1	Receive Services	Continue to use network providers for the best value.
2	Provider bills Health Plan	
3	Health Plan sends Explanation of Benefits (EOB)	HSA administrator also receives this information from the Health Plan.
4	Provider sends statement	
5	Employee pays provider	Can pay with HSA debit card, pay direct via online payment at <a href="http://www.mycigna.com">www.mycigna.com</a> (click Visit your HSA bank), or pay from personal account and request reimbursement from HSA Bank.

# HSA – How it Works

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## At the Pharmacy

1	Obtain Prescription	
2	Pharmacy verifies insurance coverage.	
3	Pay for your prescription	Can pay with HSA debit card or pay from personal account and request reimbursement from HSA Bank.

# Earning Interest & Investing in HSA Account

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- Wesleyan-sponsored HSA account with HSA Bank is FDIC insured and pays a tiered interest rate.
- The rates are subject to change by HSA Bank at any time.
- Once the cash balance in your account grows to over \$1,000, excess can be transferred to an investment account (mutual funds).
  - The Investment account is no longer FDIC insured.

## More on Investing in HSA Account

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- If your HSA cash balance falls below the \$1,000 investment threshold, no additional investments can be made until your cash balance exceeds the investment threshold.
- Reimbursements for healthcare expenses cannot be paid from the investment side of your account.
- To use investment funds to pay for claims, you must sell investments. Proceeds from the sale are automatically deposited to your HSA cash balance within 3 - 5 business days.

# HSA vs FSA

	Health Savings Account (HSA)	Flexible Spending Account (FSA)
Medical Plan Design	Must meet federal design mandates	No plan design requirements
2021 Contribution Limits	Employee + employer contribution limits of <b>\$3,600 single</b> and <b>\$7,200 family</b> , plus \$1,000 employee catch-up contribution if age 55+	Set by employer, but no more than <b>\$2,750</b> (IRS may update the contribution limit)
Source of Contributions	Employee and/or Employer	Employee
Employer Contribution	<b>Up to \$500</b> of employee contribution matched	None
Ability to Change Payroll Deductions	Unrestricted; limit to monthly changes	Annual election; change allowed with Qualified Life Event only*
Year End Account Balance	Contributions & earnings carryover	Use or Lose
Portability of Account	Yes	None
Investment of Contributions	Available after HSA balance reaches \$1,000	NA
Tax-Free Reimbursement or Distributions	Qualified health expenses. Also allows payment of premiums for COBRA and Medicare	Qualified health expenses. Payment of premiums not allowed
Taxable Distributions	If reimbursed for other than qualified healthcare expense prior to age 65	NA

**\*Relaxed for 2020 due to COVID, 2021 not yet announced.**

# Questions?

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- Questions on your 2021 benefits or the enrollment process?
- View the Open Enrollment Materials - Human Resources Webpage at [2021 Open Enrollment](#).
- Virtual Open Enrollment Presentation - Human Resources Webpage at [2021 Open Enrollment](#).
- Send an email to [benefits@wesleyan.edu](mailto:benefits@wesleyan.edu).