

FAQ about the \$3,100 plan

Frequently Asked Questions (FAQ) about High Deductible Health Plans (HDHP), Health Savings Accounts (HSA), and changing from a traditional PPO insurance product to a Health-Savings-Account-eligible plan with Blue Cross of Nebraska (BCBSNE)

- 1. What is the \$3,100 deductible plan? Is it an HSA plan or a HDHP plan?**

Strictly speaking, it is an HDHP. The Health Savings Account is used to pay expenses from a high-deductible health plan on a tax-preferred basis. It is common to use the two terms interchangeably when referring to the health insurance plan, but there is a technical difference: you have the HDHP with BCBSNE, but would set up an HSA with a financial institution like Union Bank to pay your claims with pre-tax money.
- 2. Can the spouse of the retiree switch to the HDHP without the retiree switching?**

Yes. It is best that you have two single policies to make the conversion. If you have dependent children and currently have full family coverage, you can have one spouse enroll in an “employee and children” plan, while the other enrolls in single coverage in the HDHP plan.
- 3. Are the premium rates given in the materials for 2015-16?**

The rates in the materials are for the 2015-16 plan year, which runs from September 1, 2015, to August 31, 2016.
- 4. Will switching to the HSA-eligible plan change anything with the dental insurance?**

No. Dental coverage will remain the same as with the PPO plans. The dental plan is a stand-alone plan that is independent of the HDHP account. The dental plan has its own deductible and co-pay amounts, and is not affected by enrollment in a HDHP plan. You can pay dental claims with your HSA, but dental claims will not count towards your \$3,100 deductible.
- 5. Can Long Term Care (LTC) premiums be paid from the HSA account money?**

Yes. There is a long list of eligible expenses that can be paid from the HSA account money, and long term care premiums are on that list. You will receive a relatively complete list of eligible expenses from Union Bank when you enroll in their HSA account, and can get the complete list from the IRS web site, www.irs.gov.
- 6. If I enroll in the \$3,100 plan, it will be a new plan for me. Will pre-existing conditions be covered?**

Yes. Even though this is a change in the type of plan offered by BCBSNE, you are still part of the Educators Health Alliance group. Any pre-existing conditions will be fully covered.
- 7. Can IRA funds be rolled over into the HSA?**

Yes. You can use money you have in an IRA to fund the HSA account if you wish. Since the IRA money is currently tax exempt, you will not be able to claim the money you transfer to the HSA as income reduction. If you want a tax deduction for what

you contribute to your HSA, you need to put new money into the HSA account. The IRS allows a one-time-only conversion of IRA money into the HSA account, so use caution if you decide to transfer money from the IRA to the HSA: it is a once-in-a-lifetime occurrence. You cannot transfer 401(k) or 403(b) money to the HSA, but you can convert the 401(k) or 403(b) to an IRA, and then make the conversion. Please contact Union Bank for full details before making this kind of conversion. If you do not do the conversion properly, you may be liable for additional income tax and penalties.

8. If I were enroll in the High Deductible Health Plan, HDHP, on Sept. 1, what are my deductibles and premiums Sept thru Dec 2015? What if I go to the HDHP on January 1?

If you enroll in the HDHP on September 1, 2015, your deductible for the medical plan would start September 1, 2015, and you would need to satisfy the entire \$3,100 deductible amount by December 31, 2015 before the medical health plan would pay any benefits for the remainder of this calendar year. Your dental coverage, since it is separate, would be paid according to the provisions of the plan in which you enroll. Since the deductible that you have for your current health plan does not carry over to the HDHP, you may wish to enroll in the \$750 deductible plan until January 1, 2016 and enroll in the HDHP effective January 1. If you do that, you will pay the premium for the \$750 deductible plan until December 31, 2015. Your premiums for medical coverage would drop to the amount for the \$3,100 deductible plan on January 1, 2016, and your \$3,100 deductible will begin on January 1, 2016. Your dental premiums will not change in January; you must add the dental premium to your medical premium to determine the total premium cost. Just remember that all premiums will change on September 1, 2016.

9. Are bills for dental work applicable to the HDHP deductible?

No. Dental coverage is a separate plan, and your dental claims for the traditional PPO dental plan would be paid at 80% of the approved amounts for Parts A & B, and 50% for Part C. Even though the dental claims are not part of the HDHP plan, since you will pay part of the bill for dental claims yourself you can use your Health Savings Account to pay the part that is your responsibility. But the amount you pay for dental claims does not go towards the HDHP \$3,100 deductible. The \$3,100 deductible is for medical claims only.

10. Is the deductible based on a calendar or plan year?

The deductible for all EHA insurance plans is on a calendar year basis. If you were to switch to the \$1,650 deductible PPO plan (from a lower deductible plan) on September 1, 2015, you would need to satisfy the difference between \$1,650 and your current deductible amount between September 1, 2015 and December 31, 2015 before the health plan would begin to pay a percentage of your claims. The deductible for all plans starts over every January 1, and runs through December 31 of that calendar year.

11. What is the maximum amount I can put into my HSA if I have a family plan?

Most retirees have two single plans, so the maximum amount that each individual can put into the HSA is \$3,350 plus an additional \$1,000 if you are over age 55. If you have family coverage, you can put \$6,750 into the HSA account, plus an additional \$1,000 if you are over age 55. These dollar amounts are in effect for the 2016 tax year, and are set by the IRS.

12. What limits are there on how much I have to pay out of my own pocket before the health plan begins to pay with the HDHP?

For single coverage, the maximum you will have to pay before the health plan picks up all of the covered charges for your medical care is \$3,100. If you enroll in family coverage, you must satisfy the entire family deductible amount of \$6,200 *BEFORE* the health plan will pay anything – and that might be just the expenses for one individual. In other words, if you have family coverage you will need to pay the full deductible of \$6,200 for the family plan before the medical plan pays anything. Once you have paid \$6,200 for the calendar year, the plan will pay 100% of all eligible expenses for the remainder of that calendar year.

13. The deductible amount is only \$3,100 for the HDHP. Can I contribute more than the deductible amount to the HSA?

Yes. You can pay more than just your medical claims from the Health Savings Account, so the IRS allows you to contribute more than just your deductible amount. In addition, the IRS allows a “catch-up” provision for individuals over the age of 55 to fund their Health Savings Accounts with an additional \$1,000 each year. The limit on contributions for 2016 is \$3,350 per individual plus an additional \$1,000 if you are over age 55. If the allowed contribution amounts change, Union Bank will notify you of the new contribution maximums.

14. If I want to join the \$3,100 plan in January, which insurance plan do I enroll in until then?

If you are not yet retired, you will enroll in a \$750 deductible plan (plus a dental option) to be effective September 1, 2015. By December 1, 2015 you would need to file a new application to enroll in the \$3,100 plan to become effective January 1, 2016.

15. I want to sign up for the HDHP to be effective January 1, 2016. When do I enroll?

You need to have your completed application turned in to BCBSNE by December 1, 2015, in order to have an effective date of January 1, 2016.

16. Did you say that the HSA account can NOT pay for prescriptions?

No. If you have the \$3,100 HDHP plan, all medical claims count towards the deductible, including the cost of prescription medication. Once you have paid a total of \$3,100 out of your own pocket for doctor visits, lab work, prescription medication, or other covered services, the medical plan will pay all of the allowed charges that you have for the remainder of the calendar year. In short, you will pay for the first \$3,100 of your medical claims, after which the health plan pays for all of the rest of your covered claims for the rest of the calendar year.

17. If I pay for the first \$3,100 of medical claims, how does the insurance plan track that? Do I have to provide proof that I paid the claims?

No, you do not need proof. You will present your insurance card to the medical professionals who provide you care just like you do now, whether for an office visit, lab work, or prescription medication. The provider will file a claim with BCBSNE just like they currently do. If the claim has charges that are above the amount allowed with the BCBSNE network, you will continue to get that “discount” in the charges. Once the discounted amounts have been applied to your care, you will pay the first

\$3,100 of charges – using your Health Savings Account (if you want tax-preferred treatment of the expense) or using your own check. In effect, you have a “stop loss” amount of \$3,100 per plan year – you will be responsible for the first \$3,100 of covered charges, and the insurance plan will pay for all covered claims over that amount.

18. My school district provides a Health Reimbursement Account (HRA) for qualified medical expenses. That account has the money from my unused sick leave and vacation time. Can I use that account to fund the HSA?

That depends on how the HRA was set up. Since there were no HDHP plans available until recently, most likely the HRA will not allow you to fund an HSA account from your HRA account. But keep in mind that you cannot pay medical premiums from an HSA – you can only pay claims. The HRA account provides a tax-preferred source of funds to pay for the premiums for your medical care as well as any claims, and the HSA account provides a tax-preferred source of funds to pay just your medical claims. If you do not want to get an additional tax break by opening a Health Savings Account, you could use your HRA account to pay for both premiums and claims – but the HRA will be depleted more quickly if you do that than if you pay your premiums from the HRA account and any claims from your HSA account.

19. How does a person get the tax advantage if they initially fund the HSA from a standard savings or checking account?

You will get the tax break when you file your tax return the year AFTER you make your contribution to the Health Savings Account. There is a line on the tax form for you to indicate how much money you deposited into a qualified HSA account, and that will be used to reduce your taxable income for that tax year. Union Bank will send you information at the end of the tax year about how much you contributed to fund your HSA. You should consult a tax advisor to be sure that you are claiming the amount on the proper line of your tax return.