

HDHP/HSA

Fact Sheet for Members

Your High Deductible Health Plan

A High Deductible Health Plan (HDHP)¹, coupled with an interest bearing Health Savings Account (HSA), is a progressive type of medical plan. In some ways an HDHP/HSA works like plans you're familiar with, and in some ways it's different.

We want you to understand how the HDHP/HSA works, so you can get the most from your benefits. This fact sheet provides the basics about the HDHP/HSAs, how to get started when you first join, and how to actively use your HDHP/HSA benefits.

The Medical Trust offers two HDHPs, one through Cigna and one through Empire BlueCross BlueShield. Information on both plans is included in this booklet.



¹ High Deductible Health Plan/Health Savings Account (HDHP/HSA) is used throughout to refer to the Cigna and Empire BCBS HDHP plans, where they are alike. Any differences in the plans will be clearly noted within the text.

HDHP Overview

An HDHP has a higher deductible. For all covered benefits except preventive care, such as medical, behavioral, and pharmacy, you will need to pay this annual deductible before the plan shares expenses with you. That means you pay 100% of your medical, behavioral, and prescription drug expenses until you've met your annual deductible. Once you meet your deductible you will pay a coinsurance for eligible services, but the total amount you pay will be limited to the annual out-of-pocket maximum, which is the combined total of your annual deductible and annual coinsurance maximum.

HSA Overview

A qualified HDHP such as ours allows you to open an HSA—a tax-free health savings account you can use to pay for qualified medical expenses. With an HSA you may choose to fund expenses out-of-pocket and let the tax-favored funds grow in your HSA for future healthcare expenses, or you may choose to use them as needed. You, your employer and/or others have the option to contribute to the account. Your contributions are tax-free up to federal annual limits.

HDHP Basics

Preventive Care

Preventive services are covered at 100% in-network, meaning that recommended routine visits such as adult physicals, well child visits, and OB/GYN annual exams do not count towards the deductible and will be provided at no cost to you. Depending on factors such as age and family history, other preventive care may also be fully covered.

Annual Deductible (Medical & Pharmacy)

Your deductible is an integrated medical and pharmacy deductible. This means both your medical and pharmacy expenses count towards your deductible. It is really important for you to know that your network and out-of-network deductibles accumulate separately.

Your 2011 & 2012 Deductible

Individual	
Network	\$2,700
Out-of-Network	\$3,000
Family	
Network	\$5,450
Out-of-Network	\$6,000

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Coinsurance

Once you meet your annual deductible, you will pay coinsurance for eligible services. Coinsurance is a percentage of the allowed expense. (HDHPs do not use copays.) The percent you pay depends on whether you use network providers (lower %) or out-of-network providers (higher %).

After you pay your coinsurance, the plan pays the remainder of the bill for eligible services from network providers. For services from out-of-network providers, you are responsible for coinsurance and any charges above the allowed amount, making using out-of-network providers more costly than network providers.

Your 2011 & 2012 Coinsurance Percentages

Network 20%
Out-of-Network 45% of allowed amount plus 100% of the balance

Your 2011 & 2012 Coinsurance Maximums

Individual
Network \$1,500
Out-of-Network \$4,000

Family
Network \$3,000
Out-of-Network \$7,000

HDHP Annual Out-of-Pocket Maximum

Your plan sets a limit on the maximum amount you will have to pay out-of-pocket for services each year. This is your “out-of-pocket maximum” and is equal to the combined total of your annual coinsurance maximum and annual deductible.

After you reach the out-of-pocket maximum the plan will pay 100% of eligible charges for the remainder of the plan year.

Your 2011 & 2012 Annual Out-of-Pocket Maximum

Individual
Network \$4,200
Out-of-Network \$7,000

Family
Network \$8,450
Out-of-Network \$13,000

Network = Savings

You usually pay less for services from network providers than you will from out-of-network providers for two reasons.

First, your network cost share is lower than your out-of-network cost share.

Second, network providers can only bill you based on a certain amount, the “allowed

amount.” The allowed amount is what our plan vendors, Empire BlueCross BlueShield and Cigna, have negotiated with service providers on behalf of the Medical Trust. These discounted rates for medical services from network providers can save you lots of money.



If you use an out-of-network provider, you will be responsible for 100% of charges above the allowed amount which are based on reasonable and customary charges.

You can use money from your HSA to pay for these charges, but only your portion of the allowed amount counts toward the annual deductible and annual coinsurance maximum.

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Using Network Providers

Remember, going to a network provider should make things easier for you overall and has significant cost-saving advantages.

1. Provide your health benefit information when you call to make the appointment.
2. If you see a network provider you are not required to make payment at the time of service². Your network provider will code the visit and bill it to your plan.
3. If you choose to pay out-of-pocket at the time of service, be sure that the service and your related payment are run through the vendor claims system so that any network discount will apply and your payment will be credited toward your network deductible.
4. Cigna or Empire BCBS will send you an Explanation of Benefits (EOB) informing you of the cost share you will pay for the services based on the negotiated rates and plan coverage.

² We encourage you to wait for your Explanation of Benefits from Cigna or Empire BCBS before making payment to ensure that the negotiated rate for service is applied.

5. You may make payment from the funds in your HSA, or you can pay out-of-pocket and either reimburse yourself with funds from your HSA³ or choose to let your health savings remain for future use.

6. Preventive care is paid at 100% in-network; all other services are subject to the annual deductible and, if applicable, coinsurance.



Using Out-of-Network Providers

It is important to note that if you see an out-of-network provider you may be required to make payment at the time of service.

1. Provide your health benefit information when you call to make the appointment.

³ Please note that some banks have fees associated with reimbursing yourself through your debit card. Check with your financial institution for any such fees.

2. You may make payment from the funds in your HSA, or you can pay out-of-pocket and either reimburse yourself with funds from your HSA⁴ or choose to let your health savings remain for future use.

3. Be sure that the service and your related payment are run through the vendor claims system so that your payment will be credited toward your out-of-network deductible and coinsurance maximum as applicable.

Prescription Benefits

Prescriptions must be paid for at the time of service at a retail pharmacy or through a mail order pharmacy.

1. Provide the pharmacy with your Medco card to ensure purchases are applied toward your annual deductible and coinsurance maximum, as applicable.

2. You will be paying the negotiated rate—there are no copays with this plan. (Coinsurance amounts take effect once you have met your annual deductible.)

3. If you pay out of pocket, you can reimburse yourself for the cost of the prescription with your HSA checkbook or debit card⁵.

⁴ See footnote #3

⁵ See footnote #3

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HSA Basics

Making regular contributions to your Health Savings Account is a simple and convenient way to build up your HSA balance, creating tax-favored savings for future qualified medical expenses.

You and/or your employer and/or others can contribute to this account on a tax-free basis⁶, and then you and your federal tax code dependents can use the HSA to pay for qualified medical expenses.

If you don't use all of your HSA funds in one calendar year, the remaining money "rolls over" for use in future years. If you change plans or retire, the HSA is still yours and can be used for qualified medical expenses.



⁶ If your employer allows, you can make pretax deposits to your HSA through payroll deductions. A qualified 125-cafeteria plan is required to make contributions through payroll deductions.

Tax-Free Advantage

You pay absolutely no federal taxes on any contributions, interest earned, or any investment profits in your HSA. If you make a contribution into your HSA with money on which you've already been taxed, you can take a deduction on your federal income tax return. In addition, you are not subject to federal income tax when you withdraw money to pay for qualified medical expenses.

Keep your receipts; you may need them during an audit.

Keep Your Receipts

The IRS requires you keep records to show that HSA distributions were used to pay for or reimburse for qualified medical expenses that had not been previously paid or reimbursed from another source

However, if you withdraw money for reasons other than to pay qualified medical expenses, you'll pay taxes and an IRS determined penalty (currently 20%) on the amount of the withdrawal. The penalty does not apply if you are 65+ years of age, or disabled, or if you have died and your HSA is being used by your spouse.

HSA Set-Up

Your employer determines which financial institution it will be using to fund your HSA, typically the financial institution that works in partnership with the Medical Trust plans or a local bank:

Local bank – You will receive information from your employer if it is using a local bank for HSA funding.

The Cigna HDHP uses J. P. Morgan Chase (Chase).

The Empire BCBS HDHP uses the Bank of New York Mellon (Mellon).

Chase and Mellon, the financial institutions associated with our HDHP/HSAs, offer you certain advantages, including:

- No set-up fees or basic monthly banking fees for members.
- Access to web-based tools that can assist you in tracking and monitoring your HSA activity
- The Medical Trust's assistance with the HSAs at Chase and Mellon.

Cigna HDHP J.P. Morgan Chase HSA

If you have a Cigna HDHP you can activate your Chase HSA by completing and returning

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the application that Chase will mail to your home, or for faster enrollment you can submit your banking application online at <https://preenroll.healthcare.cigna.com/healthcare/preenroll/app/bank/welcome.do>.

Once your account is open, you will receive a debit card and a checkbook that you can use to pay eligible expenses.

Empire HDHP Mellon HSA

If you have an Empire HDHP you must activate your Mellon HSA by completing and returning the application and signature card that Mellon Bank will mail to your home.

Once your account is open, you will receive a debit card and a checkbook that you can use to pay eligible expenses.

You may activate your account more quickly online, via the Empire BCBS website at www.empireblue.com.

But note that if you register online you will receive only a debit card. If you register online, and send the signature card back to Mellon, you will receive a debit card and a checkbook.



becomes effective, and your HSA has been opened. What that means is if your plan becomes effective on January 1, contributions cannot be made until after that date. If you have medical expenses on January 1 before your account is funded, you can pay out-of-pocket and reimburse yourself from your HSA once the funds are there.

Note that generally Emergency Rooms and Urgent Care Centers do not require payment up front, but will bill you after your claim has been processed by the plan.

Annual HSA Contribution Limits

2011	
Individual	\$3,050
Family	\$6,150
2012	
Individual	\$3,100
Family	\$6,250

If you are age 55 or older, you may make additional “catch-up” contributions of up to \$1,000 for 2011 and 2012.

Timing of HSA Contributions

Contributions to an HSA cannot occur until after the 1st of the month in which the HDHP

Employer HSA Contributions

Each employer (diocese, parish, school, or other Episcopal organization) establishes its HSA contribution policy in line with IRS requirements.

Your employer’s HSA contribution policy will define the amount of funds, if any, your employer will contribute to your HSA, the frequency with which these contributions will be made (bi-monthly, monthly, quarterly, or annually), and who will be eligible for such contributions.

Your employer is responsible for communicating its contribution policy to you.

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Employee HSA Contributions

Once your HSA is opened you may begin contributing funds into your HSA. To contribute, you can make pre-tax contributions through automatic payroll deductions (if available) or through an after-tax contribution that you mail in, taking a deduction on your taxes at the end of the tax year.

Take into consideration what, if any, funding you will receive from your employer, so that you do not exceed the annual limits for HSA contributions.

You will be mailed a supply of deposit slips with your welcome packet from Chase or Mellon to use for contributing personal funds directly, should you choose to do so. These packets include instructions, applications, and signature cards and are bar coded and personalized for ease of use.



Qualified Medical Expenses

Qualified medical expenses include, but are not limited to, deductibles and coinsurance, prescription drugs, mental health and substance abuse treatment, and dental services. HSA distributions can also be used for qualified medical expenses for you and your federal tax code dependents. A list of qualified medical expenses can be found at the IRS website: <http://www.irs.gov/publications/p502/index.html>.

Funds in the HSA are yours to determine how best to use. You may use them right away to cover deductibles and coinsurance amounts, or you may choose to use your own money and pay out-of-pocket, and reserve the funds in your HSA as your tax-favored health savings for future expenses.

Managing HSA Funds

Let's say that in March you have \$1,000 in your HSA and a \$1,500 medical bill. You can use the \$1,000 in the HSA and pay the additional \$500 from your own funds.

Throughout the year the IRS allows you to reimburse yourself the remaining \$500 from the HSA, as contributions are

made into the account. You are responsible for keeping documentation to prove that the HSA funds being reimbursed were used for qualified medical expenses.

Tax Information

Your HSA bank will provide the following forms to both you and the IRS annually:

Form 5498-SA—This form details HSA contributions made by you and your employer for the year.

Form 1099-SA—This form reports all HSA distributions made during the year.

Your employer will also include contributions it made to your HSA during the year on your form W-2. If your employer has a Section 125 cafeteria plan in place, the employer can deduct contributions from your paycheck on a pre-tax basis, and those amounts will also appear on your W-2. Otherwise, you must report contributions to the HSA on your annual tax return, which lowers taxable income.

You will also be responsible for completing Form 8889 along with your Form 1040. Please consult a tax professional with any questions.

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Same Sex Spouses

Although your same sex spouse may enroll in your HDHP, the IRS does not permit an employee's HSA funds to be used to cover the healthcare expenses of his or her same sex spouse⁷, unless the same sex spouse otherwise qualifies as your federal tax code dependent. Your spouse may open his or her own HSA, which your employer may or may not choose to fund.

Domestic Partners

If your group allows domestic partners to be covered as dependents on your health plan, then your domestic partner can be enrolled in the HDHP. However, the IRS does not permit an employee's HSA funds to be used to cover the healthcare expenses of domestic partners, unless the domestic partner otherwise qualifies as your federal tax code dependent. The domestic partner can open his or her own HSA, which your employer may or may not choose to fund.

Value-Added Benefits

HDHP members have access to the Medical Trust's value-added benefits, such as vision care through EyeMed, the

⁷ For purposes of any Internal Revenue Code provision, "spouse" is defined under the Defense of Marriage Act (DOMA) and not by state law.

Employee Assistance Program (EAP) through Cigna Behavioral Health, Health Advocate, Hear-PO discounts, and Frontier-MEDEX travel assistance. For more information about these value-added benefits, please visit our website at www.cpg.org.

Members may use their HSA funds, if available, to cover co-pays and coinsurance amounts under these benefits.

More Information

U.S. Treasury Department HSA Information

www.treasury.gov/resource-center/tax-policy/Pages/Health-Savings-Accounts.aspx

The HSA section of this website has links to informational brochures, up-to-date regulations, FAQs, IRS forms and publications such as:

Publication 502 provides a list of qualified medical expenses.

Publication 969 is a thorough explanation of HSAs and how the IRS treats them.



Questions?

For assistance with HSA procedures and account issues contact our Client Engagement call center at (800) 480-9967 or e-mail mtcustserv@cpg.org.

This fact sheet contains only a partial description of the Plans intended for informational purposes only. It should be not be viewed as a contract, an offer of coverage, or investment, tax, medical, or other advice. In the event of a conflict between this fact sheet and the official Plan documents (schedule of benefits, Summary Plan Description, booklet, booklet-certificate), the official Plan documents will govern.

