EPISCOPAL CHURCH MEDICAL TRUST

2015 – 2016 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 different kind of health plan, though in many ways, it works like medical plans you're familiar with.

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 on the HDHP/HSAs, how to get started when you first join, and how to actively use your HDHP/HSA benefits. The Episcopal Church Medical Trust (Medical Trust) offers four HDHPs, one through Cigna and three through Anthem Blue Cross and Blue Shield (Anthem BCBS). Information covering each plan is included in this booklet.

HDHP Overview

As its name implies, an HDHP (also known as HDP) has a high deductible. This annual deductible applies to most covered medical, behavioral, and pharmacy benefits. It does not apply to preventive care services. That means you pay 100% of your medical, behavioral, and prescription drug expenses until you have met your annual deductible. **Most preventive services are covered at 100% with no cost-sharing.**

Once you have met the annual deductible, the plan shares expenses with you. You will then 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 the Cigna HDHP and the Anthem Blue Cross and Blue Shield (Anthem BCBS) HDHPs offered through the Medical Trust, allows employees to open an HSA.

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. Contributions are tax-free up to federal annual limits.

HSA Eligibility

To open an HSA, you must be enrolled in a qualifying HDHP. Generally, you are not permitted to be covered by other disqualifying health coverage, with these exceptions: AFLAC-type coverage; separate dental and vision coverage; and disability coverage. Disqualifying health coverage includes Medicare, coverage under a plan of your spouse's or domestic partner's employer, or healthcare flexible spending account (FSA) coverage. However, you are permitted coverage under a limited-purpose flexible spending account (LPFSA). LPFSAs are designed to work with HSAs. Contact your employer to see if an LPFSA is offered. In addition, you may not be claimed as a dependent on another individual's tax return.

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

HDHP Basics

Preventive Care Services

Certain preventive care services are covered at 100% in-network. This means that you do not need to meet the deductible before the plan pays for recommended routine visits such as adult physicals, well child visits, and OB/GYN annual exams. Depending on factors such as age and family history, other preventive care services may also be fully covered.

Annual Deductible (Medical and Pharmacy)

Your deductible is an integrated medical and pharmacy deductible. This means both your medical and pharmacy expenses count toward your deductible. It is important to keep in mind that your network and out-of-network deductibles accumulate separately.

Coinsurance

Once you meet your annual deductible, you will pay coinsurance for eligible services. (The Medical Trust's HDHPs thereby differ from other employer-provided plans, which often use copayments in addition to or instead of coinsurance.) Coinsurance is a percentage of the allowed expense that you must pay. The percentage you pay is lower when you use network providers than when using out-of-network providers.

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

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.

Network = Savings

You will usually pay less for services from network providers than you will from out-of-network providers, for two reasons. First, your network coinsurance 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, Anthem BCBS 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 is based on reasonable and customary charges, as determined by the plan.

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 out-of-pocket maximum.

Using Network Providers

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

1. Provide your health plan membership 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 service.[2] 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 Anthem 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.
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 HSA[3] or choose to let your health savings remain for future use.

6. Many preventive care services are 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 plan membership information when you call to make the appointment.
2. You may make payment from your HSA funds, or you can pay out-of-pocket and either reimburse yourself with funds from your HSA[4] or choose to let your HSA funds grow 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 Express Scripts card to ensure purchases are applied toward your annual deductible and coinsurance maximum, as applicable.
2. You will be paying the negotiated rate. (Coinsurance amounts begin 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 debit card.[5]

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.

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

Note that you may cover dependents under the HDHP who are not your federal tax code dependents for HSA purposes. For example, your 25-year-old child may not be a tax dependent, but he or she would be eligible for coverage from the HDHP, but ineligible to have expenses reimbursed from the HSA. You and/or your employer and/or others can contribute to this account on a tax-free basis,[6] and then you, your spouse, 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.

Tax-Free Advantage

You pay absolutely no federal taxes on any contributions (up to applicable limits), 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.

However, if you withdraw money for reasons other than to pay for 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 who is 65+ years of age. (Spouses who are under 65 must use the money for eligible expenses or pay a penalty.)

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

[3, 4, 5] *Please note that some banks have fees associated with reimbursing yourself through your debit card. Check with your financial institution for any such fees.*

[6] *If your employer allows, you can make pre-tax deposits to your HSA through payroll deductions. A qualified Section 125 cafeteria plan is required to make contributions.*

HSA Member Setup

Members may choose their own bank to administer their HSA, or use HealthEquity, the preferred HSA custodian. If the member uses HealthEquity as the HSA custodian, there are no setup fees for the HSA and maintenance fees are waived for the subscribing member only. If a subscribing member's employment is terminated or the member is no longer enrolled in an HDHP, s/he will be responsible for all fees.

Members who enroll in any HDHP through the Medical Trust will automatically have an HSA set up by HealthEquity, who will also send them a welcome kit.

Members who do not wish to use HealthEquity as their HSA custodian can choose, after consulting with their employer, to establish an HSA with any appropriate institution (e.g., those qualified to administer IRAs), but they will be responsible for all fees.

HealthEquity offers you certain advantages, including:

- No set-up fees or maintenance fees for employed subscribers
- Access to web-based tools that can assist you in tracking and monitoring your HSA activity
- The Medical Trust's assistance with the HSAs

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

Financial institution of your choice – You are also free to establish an HSA at a financial institution of your choice and do not have to use HealthEquity or the local bank chosen by your employer.

If you do so, however, please keep in mind you likely will not be able to direct to that financial institution contributions by your employer (if any) or pre-tax salary reduction contributions. Consequently, you may lose valuable employer contributions and the ability to make contributions through convenient payroll deduction. (You will still be able to make after-tax contributions up to the applicable contribution limit and claim a corresponding deduction on your federal income tax return.)

If you establish an HSA with HealthEquity (to receive employer contributions and your pre-tax contributions), you may then transfer any funds to an HSA with another bank.

Annual HSA Employer and Employee Combined Contribution Limits

2015	2016
Individual $3,350	Individual $3,350
Family $6,650	Family $6,750

If you are age 55 or older, you may make additional "catch-up" contributions of up to $1,000 for 2015 and 2016.

Timing of HSA Contributions

Contributions to an HSA cannot occur until after the first of the month in which the HDHP 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 emergency rooms and urgent care centers generally do not require payment up front, but will bill you after your claim has been processed by 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.

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. You can make HSA contributions for a given calendar year up to three business days prior to the tax filing deadline for that year (the following April 15).

Be mindful that your own contributions and any funding you will receive from your employer does not exceed the annual limits for HSA contributions.

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 be used for qualified medical expenses for you, your spouse, and your federal tax code dependents. A list of qualified medical expenses can be found at the IRS website: ***www.irs.gov/publications/p17/ch21.html#en_US_2012_publink100033898***.

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 custodian 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 must report to you on your Form W-2, in box 12 with code W, all employer HSA contributions as well as any HSA amounts contributed by you (from your paycheck) on a pre-tax basis through a cafeteria plan. You will be responsible for completing Form 8889 with the filing of your Form 1040. Also, please note that any additional amounts contributed to your HSA must be reported on Form 8889 and may be eligible to be claimed as a tax deduction, which could lower your taxable income. Form 8889 is available at ***www.irs.gov/pub/irs-pdf/i8889.pdf***.

Domestic Partners and Same-Gender Spouses

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. Note, however, that an employer contribution to an HSA of a non-employee would be included in the employee's taxable income.

Same-gender couples who are legally married can use the account in the same way as an opposite-gender married couple.

Additional Benefits

HDHP members have access to the Medical Trust's value-added benefits, such as vision care through EyeMed, the Employee Assistance Program (EAP) through Cigna Behavioral Health, Health Advocate, Amplifon Hearing Health Care discounts, and UnitedHealthcare Global 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 any applicable copays and coinsurance amounts under these benefits.

U.S. Treasury Department HSA Information

www.treasury.gov/resource-center/faqs/Taxes/Pages/Health-Savings-Accounts.aspx

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

Publication 502 – A list of qualified medical expenses

Publication 969 – A detailed explanation of HSAs and how the IRS treats them

Questions?

For assistance with HSA procedures and account issues, contact our Client Services team at (800) 480-9967 or email ***mtcustserv@cpg.org***.