Health Savings Account: What it could mean for you and CSU?
Discussion Items

Medical Plan Funding

HDHP/HSA Basics

FAQs

Impact Scenarios
Medical Plan Funding
Human Resources and its benefit plan actuaries review current year revenue (premiums) and expenditures (claims and fees) along with projected estimated self-funded plan costs to determine the funding (employee and employer premium contributions) needed for the next plan year (calendar year).

**Cost-Share Approach to Plan Funding**

- CSU and employees share in the cost of medical benefits.

- CSU provides the Green plan at no-cost for employee only coverage.
  - paying 100% of the employee premium and 75% of the employee plus dependent premium.

- CSU offers richer coverage plans (Gold and POS), which employees can ‘buy-up’ by paying the anticipated add-on premium cost.
  - You pay more in exchange for a higher level of benefit coverage, which is based on the actuarial value of the plan.
Medical Plan Funding

Employee Contribution

CSU Contribution

Combined Total for Plan Costs
(Green, Gold & POS)

Anticipated Plan Costs

Plan Expenses
Costs
• Claims
• Catastrophic Claims ($$$$)
• Administration
• IBNR Reserve

Savings
• Healthy Lifestyles
• Proactive Healthcare
• Low Annual Claims Cost

Actual Plan Costs

Employee Contribution

CSU Contribution

$ + $

$ + $

$
Notes:
• Mercer national industry survey per employee annual cost includes year over year premium increase and plan coverage reductions.
• For 5 years, CSU did not increase premiums (2010-2014); 4% increase in 2015.
• The per employee cost represents total expenditures (claims + admin + stop-loss insurance) divided by total employee plan enrollment.
HDHP / HSA Basics
Save for future medical expenses on a tax-free basis when enrolled in an High Deductible Health Plan (HDHP).

An Health Savings Account (HSA) can be an added investment in your financial health and wellness — while incurring medical expenses now, and in retirement.

First, let’s learn more about an HDHP.
The HDHP must meet the deductible and other design requirements that are adjusted each year by the IRS to receive a qualified plan status.

An HDHP plan must have deductibles which meet or exceed the IRS predetermined ‘minimums’ and out-of-pocket ‘maximum’ limits must be equal to or lower than IRS “maximums”. These limits determine how your health care claims are paid.

An HDHP typically has a larger deductible than other types of medical plans, like a Preferred Provider Plan (PPO) plan, but it also has a much lower premium.

An HDHP begins to pay claims when the family deductible is fully met, which is unlike a traditional PPO, except for certain preventive care services paid at 100%, as determined by the IRS.

<table>
<thead>
<tr>
<th>2015 HDHP Limits:</th>
<th>Set by the IRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum deductible:</td>
<td>Individual: $1,300; Family: $2,600</td>
</tr>
<tr>
<td>Maximum out-of-pocket:</td>
<td>Individual: $6,450; Family: $12,900</td>
</tr>
</tbody>
</table>
In order to satisfy the enrollment criteria for an HSA, you must first:

- elect medical coverage in a qualified HDHP sponsored by your, or your spouse’s employer;
- not be enrolled in Medicare;
- not be claimed as a tax dependent on another person’s tax return; and
- not be covered under other health coverage or eligible for a spouse’s Flexible Spending Account (FSA).

If you meet these standards, you can enroll in an HDHP with an HSA should your employer offer this type of health care plan.

### 2015 HSA Limits:

<table>
<thead>
<tr>
<th></th>
<th>Individual: $3,350; Family: $6,650</th>
<th>Age 55+ catch-up contributions: $1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum contribution</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**FEATURES**

**HSA Basics**

**Features**

- Maximum contribution: $3,350; Family: $6,650
- Age 55+ catch-up contributions: $1,000
An HDHP provides medical insurance coverage, where you use high quality health care providers, while making cost-conscious decisions using tools and resources – Freedom of Choice.

An HSA is a component of an HDHP.

You own an HSA account for the purpose of paying qualified medical expenses for yourself, your spouse, and your dependents.

- Account balance rolls over from year to year, unlike a health care FSA.
- Account balance is yours to keep if you leave employment.
- You determine how to pay for current qualified medical expenses OR save the HSA account for future needs.

Tax-free HSA contributions, interest accumulation and distributions for qualified medical expenses. Regular income tax for non-medical expenses over age 65 – Triple Tax Savings.

HSA funds are held with a qualified financial institution in an account under your name.
How the features of an HDHP and an HSA align together

Health Savings Account Plan

High Deductible Insurance

- Helps pay your deductible
- Tax-deductible deposits
- Tax-deferred growth
- Tax-free for qualified medical care

Savings Account

Protects you from big medical bills

Helps pay your deductible

Tax-deductible deposits

Tax-deferred growth

Tax-free for qualified medical care
Like any medical plan option, you should closely evaluate the advantages and disadvantages of enrolling in an HDHP with an HSA to create a well-thought-out health and financial wellness plan:

- Employees who are generally healthy may like this opportunity to save for health care on a pre-tax basis.

- Employees with high medical care needs may like the out-of-pocket maximum plan feature that doesn’t exist on copay benefit plans (POS plan). 100% reimbursement after the HDHP out-of-pocket maximum limit is met.

- Employees can save for medical expenses now, and in retirement on a tax-deferred basis.

- After you turn age 65 or enroll in Medicare benefits, you may;
  - withdraw money from your HSA for expenditures that are non qualified medical expenses without penalty (although you may have to pay income taxes on the withdrawal).

- An HSA is a great way to save as much as you can now, and you may also reap the rewards of a nest egg at retirement.
Is the HSA just for doctors services?
• Your HSA can be used to pay for medical services such as eyewear, hearing aids and prescriptions.

Who can contribute to my HSA?
• You or your employer – the money belongs to you.
• You get to keep it, even if you change jobs or health plans.
• Employees can make pre-tax contributions at work through payroll deduction in a cafeteria plan.
• Employees can also make after-tax contributions and claim credit when filing tax returns; generally opted only if the employer doesn’t provide a pre-tax option.

Is an HSA the same as an FSA?
• An FSA allows you to contribute and have the money available on the first day of the plan year.
• FSA accounts do not rollover into the next plan year and unspent balances are forfeited.
• An HSA requires a sufficient account balance from contribution deposits before expenses can be paid.
If I enroll in a HDHP during the middle of a calendar year, how much can I contribute to an HSA?

- Under certain circumstances, an individual who is not HSA eligible on Jan. 1st, but becomes eligible later in the year may still contribute the full annual maximum amount for that year. But there is an additional requirement – the individual must be HSA eligible for the last month of that year (December) and remain HSA eligible for all of the following calendar year. HSA eligible by Dec. 1st is the trigger, not necessarily new hire by Dec. 1st.

What are the tax rules of an HSA?

- Earnings on your account are not considered part of your gross income.
- If not used for a qualifying purpose, the entire withdrawal is subject to tax and in most cases, a penalty.
- An HSA is tax-free if used for qualified health care expenses.

Who is responsible for ensuring withdrawals are used exclusively for qualified medical expenses?

- The account holder is responsible for this aspect of an HSA.
- Records of medical expenses should be maintained as proof of eligible expenses as well as retaining contribution records to ensure the IRS limits are not exceeded.
Can you use HSA contributions for a civil union partner or a domestic partner?

• If the domestic or civil union partner is a qualified federal tax dependent, HSA distributions for qualified medical expenses are tax-free. The domestic or civil union partner would not be eligible to contribute to an HSA since he/she could be claimed as a dependent on the employee’s tax return.

• If the domestic or civil union partner is not a qualified federal tax dependent, HSA distributions from the employee’s HSA to pay for medical expenses for the domestic or civil union partner are non-qualified distributions includable in income and subject to a 20% tax penalty.

If I enroll in employee only HDHP coverage and my dependents are enrolled in an HMO or PPO elsewhere, can I use HSA contributions for my families medical expenses?

• Yes, qualified expenses are amounts used to pay deductible health expenses for the account holder, spouse, and/or tax dependents of the account holder.

• Tax-free withdrawals are allowable for qualified expenses of the account holder or spouse (federal definition applies) or tax dependents of the HSA accountholder even if the individual is not eligible to establish or contribute to an HSA.
How is an HSA Account Different?

• You may only use your HSA account if you have enough money in the account to cover the cost of your medical expenses.

• While your HSA account grows from earnings and contributions, this account also has a valuable feature where your balance rolls over from year to year.

• You may choose to pay out-of-pocket for your medical expenses and save your HSA account balance for retirement.

• The IRS requires form 8889 to be completed each year with your tax return to report total deposits and withdrawals from your HSA account.
Are there tax advantages?

- An HSA comes with triple-tax savings;
  - Your deposits are not subject to federal income tax (pre-tax employer cafeteria plan or a tax credit on after-tax contributions).
  - Your account grows tax-free as interest accumulates.
  - Money spent on qualified expenses is free from federal income taxes.

Unparalleled Triple-Tax Advantages
Impact Scenarios
Consider the Options

Plan funding (premiums collected from the employee and employer minus claims expenditures and administrative fees) determines premiums, plan design and anticipated fringe rate calculations each year.

Your Cost & CSU's Cost
Institutions of higher education who offer an HDHP with an HSA?

- Kansas State University
- Oklahoma State University
- Michigan State University
- Purdue University
- Virginia Tech
- University of Missouri
- University of Colorado
- University of Georgia
- University of Denver
- University of California, Davis
- Washington State University
**Low Healthcare Utilization**

**Green, Gold, POS, HDHP**

Amounts are based upon employee only coverage

<table>
<thead>
<tr>
<th>Plan Description</th>
<th>Deductible (single)</th>
<th>Rx Deductible (single)</th>
<th>Coinsurance (plan pays %)</th>
<th>OOP (w/deductible)</th>
<th>Rx OOP (single)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Green Plan</strong></td>
<td>$1,000</td>
<td>$150</td>
<td>80%</td>
<td>$6,000</td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Gold Plan</strong></td>
<td>$750</td>
<td>$150</td>
<td>80%</td>
<td>$4,500</td>
<td></td>
</tr>
<tr>
<td><strong>POS Plan</strong></td>
<td>$0</td>
<td></td>
<td>90%</td>
<td>$1,250</td>
<td>$0</td>
</tr>
<tr>
<td><strong>HDHP Plan</strong></td>
<td>$1,500</td>
<td></td>
<td>80%</td>
<td>$6,350</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Cost of Services</th>
<th>You Pay</th>
<th>Plan Pays (80%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventive</td>
<td>$350</td>
<td>$180</td>
<td>$360</td>
</tr>
<tr>
<td>Rx</td>
<td>$30</td>
<td>$180</td>
<td>$360</td>
</tr>
<tr>
<td>Office Visits</td>
<td>$150</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Lab Tests</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Hospital</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Annual Cost Summary</td>
<td>$530</td>
<td>$180</td>
<td>$350</td>
</tr>
</tbody>
</table>

Note: The higher HDHP out-of-pocket cost is generally offset (in part or in full) by a lower employee monthly premium contribution.

"You Pay" Cost Compared to HDHP

<table>
<thead>
<tr>
<th>Plan Description</th>
<th>You Pay</th>
<th>Net Difference</th>
<th>Net Difference</th>
<th>HDHP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Green</strong></td>
<td>$180</td>
<td>$0</td>
<td>$0</td>
<td>$180</td>
</tr>
<tr>
<td><strong>Gold</strong></td>
<td>$180</td>
<td>$0</td>
<td>$0</td>
<td>$180</td>
</tr>
<tr>
<td><strong>POS</strong></td>
<td>$45</td>
<td>$135</td>
<td>$135</td>
<td>$180</td>
</tr>
<tr>
<td><strong>HDHP</strong></td>
<td>$180</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

You share in paying the medical providers along with the medical plan you select.
### Green Plan (current plan design)
- **Deductible (single)**: $1,000
- **Rx Deductible (single)**: $150
- **Coinsurance (plan pays %)**: 80%
- **OOP (w/ deductible)**: $6,000
- **Rx OOP (single)**: $1,000

### Gold Plan (current plan design)
- **Deductible (single)**: $750
- **Rx Deductible (single)**: $150
- **Coinsurance (plan pays %)**: 80%
- **OOP (w/ deductible)**: $4,500

### POS Plan (current plan design)
- **Deductible (single)**: $0
- **Rx Deductible (single)**: Copays
- **Coinsurance (plan pays %)**: 90%
- **OOP (+ copays)**: $1,250

### HDHP Plan (hypothetical example)
- **Deductible (single)**: $1,500
- **Rx Deductible (single)**: Included
- **Coinsurance (plan pays %)**: 80%
- **OOP (w/ deductible)**: $6,350

### Preventive (paid at 100%)
- **Deductible**: $350
- **Rx**
- **Office Visits**: $350
- **Lab Tests**: $350
- **Hospital**: $0
- **Total Annual Cost Summary**: $2,150

### You Pay, Plan Pays

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Cost of Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventive</td>
<td>$350</td>
</tr>
<tr>
<td>Rx</td>
<td>$600</td>
</tr>
<tr>
<td>Office Visits</td>
<td>$850</td>
</tr>
<tr>
<td>Lab Tests</td>
<td>$350</td>
</tr>
<tr>
<td>Hospital</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total Annual Cost Summary</strong></td>
<td><strong>$2,150</strong></td>
</tr>
</tbody>
</table>

You share in paying the medical providers along with the medical plan you select.

### "You Pay" Cost Compared to HDHP

<table>
<thead>
<tr>
<th></th>
<th>Green</th>
<th>Gold</th>
<th>POS</th>
<th>HDHP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>You Pay</strong></td>
<td>$1,280</td>
<td>$1,080</td>
<td>$350</td>
<td>$1,560</td>
</tr>
<tr>
<td><strong>Net Difference</strong></td>
<td>$280</td>
<td>$480</td>
<td>$1,210</td>
<td></td>
</tr>
</tbody>
</table>

Note: The higher HDHP out-of-pocket cost is generally offset (in part or in full) by a lower employee monthly premium contribution.
**High Healthcare Utilization**

**Green, Gold, POS, HDHP**

Amounts are based upon employee only coverage.

<table>
<thead>
<tr>
<th>Plan Description</th>
<th>Deductible (single)</th>
<th>Rx Deductible (single)</th>
<th>Coinsurance (plan pays %)</th>
<th>OOP (w/deductible)</th>
<th>Rx OOP (single)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Green Plan</strong> (current plan design)</td>
<td>$1,000</td>
<td>$150</td>
<td>80%</td>
<td>$6,000</td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Gold Plan</strong> (current plan design)</td>
<td>$750</td>
<td>$150</td>
<td>80%</td>
<td>$4,500</td>
<td></td>
</tr>
<tr>
<td><strong>POS Plan</strong> (current plan design)</td>
<td>$0</td>
<td></td>
<td>90%</td>
<td>$1,250</td>
<td></td>
</tr>
<tr>
<td><strong>HDHP Plan</strong> (hypothetical example)</td>
<td>$1,500</td>
<td></td>
<td>80%</td>
<td>$6,350</td>
<td></td>
</tr>
</tbody>
</table>

You share in paying the medical providers along with the medical plan you select.

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Cost of Services</th>
<th>You Pay</th>
<th>Plan Pays</th>
<th>You Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventive</td>
<td>$350</td>
<td>$0</td>
<td>$350</td>
<td>$0</td>
</tr>
<tr>
<td>Rx</td>
<td>$9,000</td>
<td>$150</td>
<td>$7,460</td>
<td>$0</td>
</tr>
<tr>
<td>Office Visits</td>
<td>$3,000</td>
<td>$150</td>
<td>$1,570</td>
<td>$0</td>
</tr>
<tr>
<td>Lab Tests</td>
<td>$1,850</td>
<td>$1,000</td>
<td>$7,000</td>
<td>$150</td>
</tr>
<tr>
<td>Hospital</td>
<td>$50,000</td>
<td>$1,000</td>
<td>$6,280</td>
<td>$450</td>
</tr>
<tr>
<td><strong>Total Annual Cost Summary</strong></td>
<td>$63,200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**You Pay** Cost Compared to HDHP

<table>
<thead>
<tr>
<th>Plan</th>
<th>You Pay</th>
<th>Green</th>
<th>Gold</th>
<th>POS</th>
<th>HDHP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductible (single)</td>
<td>$7,000</td>
<td>$4,500</td>
<td>$2,090</td>
<td>$6,350</td>
<td></td>
</tr>
<tr>
<td>Net Difference (OOP)</td>
<td>$(650)</td>
<td>$1,850</td>
<td>$4,260</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The higher HDHP out-of-pocket cost is generally offset (in part or in full) by a lower employee monthly premium contribution.
Historical medical claim experience is used to predict future expenses. Typically, data through July or August is used to project next year’s expenses.

- **MAR**: HDHP/HSA informational presentations (HR and UBC)
- **APR**: HDHP/HSA employee interest survey
- **MAY**: Preliminary projection analysis (rough analysis)
- **JUNE**: Update projection analysis (develop plan design and premium rates)
- **JULY**: Recommendation to Administration
- **AUG**: Open Enrollment (plans/premiums effective Jan. 1st)
Complete the Survey... it is coming

**Your Feedback**

- **HSA**
  - HSA Contribution Limit: $3,350 Individual/$6,650 family

- **HDHP**
  - Pre-tax contributions

- **Questions**
  - Medical, Rx, dental and vision expenses

- **Explore the possibilities**
  - Medical Plan Impact Scenarios

- **Healthy Savings Account**

- **EVALUATE**
  - Respond

- **LEARN**
  - POS Plan
  - Minimum deductible limit: $1,300/$2,600

- **Green Plan Gold Plan**

- **High Deductible Health Plan**
  - Triple tax savings

- **Maximum out-of-pocket: $6,450/$12,900**

- **Weigh In**

---

MyHR - Working Together
Human Resources

555 South Howes Street, 2nd Floor
970-491-MyHR (6947)   myhr@colostate.edu
hrs.colostate.edu