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\$2000/\$4000 FAQ Southington Board of Education Consumer Directed Health Plan Frequently Asked Questions

What is a Consumer Directed Health Plan?

Southington is offering a Consumer Directed Health Plan (CDHP). The CDHP will have two distinct components; a High Deductible Health Plan (HDHP) and a Health Savings Account (HSA).

An HSA is a tax-advantaged savings vehicle for funding qualified health care expenses. Deposits to an HSA are deductible from income. Amounts withdrawn for qualified health expenses are not subject to income tax. HSAs are regulated by the IRS and the Department of Treasury.

An HDHP is a medical plan with a comprehensive deductible that applies to all health care expenses (In and Out-of-Network). CDHP plans cover both medical and prescription services. Standalone Dental and Vision Benefits may still be provided on a standalone basis (not subject to the deductible).

In Southington's case, the current HDHP is a PPO plan with a \$2,000 single Deductible and a \$4,000 family deductible. Under Southington's plan In-Network Preventive Care services will not be subject to the deductible and will be covered 100%. Dental and Vision services will remain on a standalone basis.

Please note: the term "HSA" and "CDHP" are both used interchangeably to commonly represent both the medical plan with deductibles and the tax advantaged bank account. While this is commonly accepted and understood, the term HSA technically refers to only the bank account portion of the plan. For purposes of this document, the term HSA will be used in the technical format and will refer to the Health Savings Bank Account. The term CDHP will be used in reference to the combined medical plan with deductibles and the tax advantaged bank account.

NOTE: IRS regulations preclude **EMPLOYEES** who have other insurance from making or receiving tax advantaged contributions to an HSA bank account. Other insurance includes Medicare or a Copay medical plan through a spouse. Other Dental, Vision, or HDHP insurance is permitted. This preclusion applies to the employee only dependents on the employee's plan are permitted to have other insurance. See FAQs on last page.

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How will the Medical Plan Work?

Southington's High Deductible Health Plan (HDHP) has a \$2,000 deductible for employees enrolled as employee only (single) and a \$4,000 deductible for employees enrolling with at least one other dependent (family). The HDHP is based on the same network of providers and the same covered services as the copay based plan.

Deductible Highlights:

- Single=\$2,000
- Family=\$4,000
- Runs Annually; July thru June
- Applies to Medical and Prescription claims
- Applies to In and Out-of-Network claims
- In-network preventive services will be covered at 100% and not subject to the deductible
- Once the deductible is met:
 - Medical claims (office visits, hospitalizations, therapies, etc...) will be covered at 100% In-network at 80% Out-of-Network.
 - Prescription claims will be covered with the following copays:
 - \$10 Generic
 - \$25 Preferred Brand
 - \$40 Non-Preferred Brand
 - Mail Order will allow for a 90 day supply for 2 copays
- Dental is a separate rider and is not subject to the HDHP deductible

HSA Account Highlights:

- Each employee will have an account set up in the employee's name
- Southington will contribute 50% of HDHP Deductible (that's \$1,000 for Singles and \$2,000 Family)
- Southington will contribute-½ of their contribution in September and ½ in March.
- Employee's may (and most do) also contribute to their HSA
- Contributions to the account are tax advantaged (Non-Taxed, Pre-Tax or Tax Deductible)
- Employee will use the account to pay for medical and prescription services
- *Qualified* expenditures from the account are tax free
- HSA accounts can also be used to pay for other medical expenses that are not covered by the medical plan (i.e. bandages, orthodontics, contact solution, etc...)
- Unused account balances will roll over to subsequent plan years (NO "use it or lose it")

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How much will Southington contribute to my Health Savings Account?

For an ACTIVE employee Southington has committed to contribute towards the prorated annual deductible. Contributions will not be taxable to the participant. The HDHP PPO plan has an annual single deductible of \$2,000 and an annual family deductible of \$4,000.

Southington will contribute 50% of the prorated annual deductible. For a single that's \$1,000 for a family that \$2,000.

Southington will make its 50% contribution in two equal installments; ½ in September and ½ in March.

For COBRA and Retiree participants, Southington WILL NOT make contributions on behalf of the individual or dependents.

How much can I contribute?

ACTIVE EMPLOYEES can contribute any amount they choose as long as total combined (employer and employee) deposits do not exceed the Federal Maximum HSA Deposit Limits. For 2023 the Federal Maximum HSA Deposit Limit is \$3,850 per Individual and \$7,750 per Family.

Employees Electing to contribute to the full federal maximum may contribute:

Single \$2,850

Family \$5,750

Employee contributions to their HSA Bank Accounts are tax advantaged. Contributions will be made on a pre-tax basis for those employees choosing to make contributions via payroll deduction. Contributions may also be made outside of payroll and would be deductible from income (please see FAQ re: Lump Sum Contributions below. Consult your tax advisor for tax advice).

Employees 55 years or older are permitted to make an additional \$1,000 contribution annually.

Do I have to make a contribution?

No, individuals are not required to make any contributions into their HSA. Please consult Banking Materials for account fees and requirements.

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Can lump sum contributions be made to my HSA?

Yes, but remember total contributions (employee and employer) cannot exceed the Federal Maximum HSA Deposit Limits. Any contribution over the Federal Limits will be treated as an excess contribution and subject to tax and potential penalty.

Note: The timing of a lump sum contribution may have tax implications if you cease to be enrolled in an HDHP during the year. Consult your tax advisor for tax advice.

Can others make contributions on my behalf?

In addition to yourself and your employer, other individuals may make contributions into your HSA. Such additional contributions are subject to the stated limits. Please consult the Banking Materials for contribution methods available to individuals and your tax advisor for tax advice.

Are there fees associated with the HSA Bank Account?

Yes, as with many bank-established accounts, there are account fees. Fees will vary based on how you decide to use your HSA Bank Account.

Who “owns” the funds in the HSA?

Any funds in the HSA, including the funds contributed by the Southington, are owned by the member. Unused balances may be rolled over to subsequent plan years.

How do I access funds in my HSA?

You will have access to funds in your HSA via a Debit Card. Some banks will also allow for paper check book access and many provide electronic checking account features. Refer to banking materials for available services and any applicable banking fees.

What can HSA funds be used for?

HSA funds can be used for qualified medical expenses (as defined by the IRS) for you and your tax qualified dependents on a tax free basis. Qualified medical expenses include both services covered by your Medical Plan portion of your CDHP as well as other qualified expenses outside of the Medical Plan.

You may also use your HSA funds for non-qualified expenses however those funds will be subject to tax and penalty.

If 65 years or older and HSA funds are used for non-qualified expenses, the penalty is waived and those funds will be subject only to tax.

As the “owner” of the account it is the member’s responsibility to substantiate HSA expenditures in the event of an IRS audit.

What expenses go towards my HDHP Deductible?

Only those services covered by and reimbursable under the Medical Plan portion of you CDHP will accumulate towards the deductible.

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If I incur qualified medical expenses am I required to use the money in my HSA?

No, you may choose to use non-tax advantaged funds. There is no requirement to use the monies in your HSA for your qualified medical expenses. Monies in your HSA account are owned by you and will roll over annually.

At a future date you may decide to reimburse yourself with HSA funds for qualified expenses that were incurred after your initial enrollment date in the HDHP PPO plan. Please consult your tax advisor for tax advice.

I am used to seeing deductibles and coinsurance stated as Single, Two Person, or Family, but now I only see Single and Family. What happens if I have a Two Person Policy?

For purposes of the HDHP PPO, deductibles and coinsurance are set as Single or Family only. Two Person contracts will be subject to the Family deductible and coinsurance levels. A Two Person policy is also allowed total HSA contributions (employer and employee combined) not to exceed the 100% of the Federal Family Limit.

Note: Monthly Premium Rate Contributions will continue to reflect Single, Two Person, and Family.

How does the Family Deductible work?

For purposes of the HDHP PPO, the full Family deductible must be met before the health plan assumes any coverage. In Southington's case, the plan will not provide coverage until one or any combination of family members incur deductible expenses equal to \$4,000.

Do we have separate In and Out-of-Network Deductibles?

No, the deductible can be met with any combination of In and Out-of-Network services. In Southington's case, Out-of-Network claims will be subject to coinsurance and the carrier's approved pricing.

Prior to meeting my deductible, am I paying the full provider price or carrier's negotiated discount?

For In-Network services, HDHP PPO members are provided with the carrier's network negotiated discounted pricing. Out-of-Network providers are not required to comply with the carrier's negotiated pricing schedules and member reimbursement will be subject to approved pricing ("Reasonable & Customary").

What services are covered as preventive and not subject to the medical plan deductible?

Annual In-Network preventive exams including screenings, immunizations and other services to detect medical conditions in advance. Screening examples include: Cholesterol screenings, Preventive Colonoscopy, Preventive Mammography. See Preventive handout for a more complete listing.

Note: Screenings (i.e. Colonoscopy and Mammography) performed for diagnostic purposes (when symptoms present) would apply to the plan deductible and coinsurance.

Note: Out-of-Network preventive services are subject to the plan deductible and co-insurance.

Note: Diabetic Supplies and Prescriptions are subject to the plan deductible and co-insurance.

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How are prescription drug claims processed?

Prescription drugs are paid as any other service and are subject to the annual deductible. In-Network pharmacies will process the claim at point of sale. If the member has not yet met the annual deductible, the cost of the prescription (up to the annual deductible) will be required before the prescription will be dispensed. After the deductible has been met the member will pay a copay of \$10 for generic \$25 for preferred brands and \$40 for non-preferred brands.

Out-of-Network claims must be submitted to the carrier by the member for processing and are subject to approved pricing (Maximum Allowable Charge/Reasonable and Customary).

If I elect the CDHP plan, can I also be covered by another traditional (non-HDHP) plan (e.g. my spouse's copay PPO plan)?

No, remember there are two components to the CDHP plan. The High Deductible Health Plan (HDHP), and the tax advantaged bank account or HSA. While there are no regulations that limit your ability to have dual coverage with the HDHP, Federal regulations will not allow tax advantaged contributions into an HSA if you have any coverage that does not meet the HDHP requirement. Qualified HDHPs must have an annual single deductible of \$1,500 and an annual family deductible of \$3,000.

Note: Contributions to an HSA while enrolled in a qualified HDHP are owned by the individual and can be used in the future regardless of your or your dependents health plan status. Additionally, you can use monies in your HSA for tax dependents even if they are covered under a non-qualified Health Plan. Potential tax and penalties could apply if used for non-qualified expenses.

Note: *A spouse's enrollment in their employer's Flexible Spending Plan may be considered other insurance.*

The rules above apply to Health and Drug coverage only, Tradition Dental and Vision plan coverage is allowed and is not required to meet the HDHP requirement.

I am on Medicare or will be Eligible for Medicare?

Medicare coverage would constitute other non-HDHP coverage and thus make the member ineligible to make contributions to an HSA.

Unused HSA Funds contributed prior to Medicare enrollment may still be used tax free to pay for qualified medical expenses.

Unused HSA Funds contributed prior to Medicare enrollment may still be used for non-qualified expenses. Tax would apply but the penalty is waived for those over 65 years of age.

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