

2019 HDHP FAQs

HDHP = High Deductible Health Plan

OAP = Open Access Plan, the “regular” or “traditional” healthcare plan

HSA = Health Savings Account

HRA = Health Reimbursement Account

FSA = Flexible Spending Account

General Questions

Questions about the High Deductible Health Plan (HDHP) and the Health Savings Account (HSA)

Q: What is the HDHP Health Plan?

A: The HDHP is a healthcare plan that includes a traditional health coverage component and a Health Savings Account (HSA) that you can set up and fund with pre-tax contributions. As the name implies, a HDHP has a higher deductible than the traditional OAP plan. The deductible in a HDHP must equal or exceed an amount specified by the IRS.

The underlying coverage is the same but the employee pays less per month in premiums and a higher amount as deductible before the plan starts paying for healthcare bills. Only HDHPs are eligible under IRS guidelines to have an HSA. You can withdraw the HSA funds, tax free, to pay for medical care and prescriptions and to offset the higher deductible under your traditional health plan. If you do not need to use the HSA funds in a given year, they remain yours to use for healthcare costs in the future.

Q: What is an HSA?

A: A health savings account (HSA) is a tax-favored savings account created for the purpose of paying medical expenses. HSA's are tax-deferred. Interest earnings accumulate tax-deferred, and if used to pay for qualified medical expenses, they are tax-free. The HSA money is yours to keep - even when you change jobs, health plans, or retire. Unlike a Flexible Spending Account (FSA) unused money in your HSA isn't forfeited at the end of the year; it continues to grow, tax-deferred.

Q: Who is eligible to open an HSA?

A: To be eligible, you must meet these criteria:

- You must be covered by an HSA-compatible high deductible health plan, such as the HDHP HSA Plan. You cannot be covered by any other medical plan that is not an HSA-compatible health plan. This would include, for example, being enrolled in your spouse's plan as secondary coverage.
- You must not be eligible to be claimed as a dependent on another individual's tax return.
- If you are a veteran, you are not eligible to open an HAS account if you have received veteran's benefits within the last three months.
- You must not be enrolled in Medicare.

(If you are enrolled in Veterans benefits, Medicare, or any other coverage, please see the FAQs on the High Deductible Plan and Health Reimbursement Accounts—HRA's, below).

Q: How is my HSA funded?

A: Your HSA is funded by your own pre-tax contributions through payroll deduction and by Davidson College's contributions. The HSA is an actual bank account, and the bank used by Davidson College for the HSAs is HSA Bank . You may also make an after-tax contribution directly to HSA Bank, however, you lose the pre-tax benefits by not using payroll deduction. These after-tax contributions can be taken as a tax deduction at year end.

The total of all contributions cannot exceed limits defined by the Internal Revenue Service (IRS). In addition, you may choose to establish your own HSA account and fund it directly, taking the deduction when you file your annual tax return.

Q: How much may I contribute to my HSA?

A: The annual contribution maximum for all pre-tax, post-tax, and employer contributions is set by the US Treasury and the IRS. It is currently \$3,500 for individual coverage and \$7,000 for family coverage.

Q: May I ever contribute more than the annual limit?

A: If you are 55 or older at any time during the calendar (tax) year and are not enrolled in Medicare you are eligible to contribute an additional \$1,000 above the regular limits. This is called a “catch-up” contribution and can be made each year until you enroll in Medicare. Only the account holder can make this contribution and it may be pro-rated if you're enrolled in the plan less than 12 months. Catch-up contributions can be made the same way your regular contributions are.

Q: What if I exceed my annual contribution limits?

A: If you contribute too much to your account, IRS rules will require you to pay regular income tax plus 20% tax penalty on the excess amount you contributed. (Note: different rules apply if you contributed too much because you left the plan during the year.)

Q: What if I terminate the coverage before the end of the year?

A: If you end your employment you can continue contributing to your HSA only if you enroll in another high deductible plan qualified for the Health Savings Account. If you do not enroll in an HSA-compatible plan then your annual contribution will be prorated for the number of months you were eligible to participate. If you overfunded the account prior to ending your employment you will need to withdraw excess contributions before the end of the tax year and treat them as taxable income; otherwise you may face tax penalties.

Any money in your HSA account remains yours to spend once you are no longer enrolled in a high deductible health plan, but you may no longer contribute money to the HSA once you are no longer covered by the HDHP.

Q: How much may I contribute if I join the plan after the start of the year?

A: You may contribute a prorated portion based on the number of months you are enrolled in the plan.

Q: What if I have unused money left over in my HSA at the end of the year?

A: Not a problem! Your HSA funds roll over from year to year and accumulate in the account until you are ready to use them.

Q: Can I have more than one HSA?

A: An individual may contribute to more than one HSA for themselves; however, the total contribution of all HSA contributions may not exceed the annual limit. You and your spouse may both have an HSA if you both have high deductible health insurance coverage.

Q: What if my spouse has an HSA, too?

A: If your spouse has an HSA and either of you is covered under the other’s healthcare plan, your combined HSA contributions are limited to the annual contribution maximum for family coverage.

Q: What is the Traditional Health Coverage component of the HSA Plan?

A: The Traditional Health Coverage component of your HSA Plan is similar to any other OAP plan but with a higher deductible that makes it an HSA-compatible plan. The Traditional Health Coverage component covers much of the same services any other plan does, including 100% coverage for preventative services (not subject to deductible).

Q: What about preventive care services like physicals and mammograms?

A: The HDHP HSA Plan covers preventive care services like physical exams, immunizations, and mammograms at 100% in network. You won’t have to pay anything out of your own pocket when you receive preventative care from an in-network provider. If you use an out-of-network provider, your deductible and out-of- network coinsurance will apply. You may choose to use your HSA dollars to cover these costs.

Q: Does the HSA Plan cover prescriptions?

A: Yes, however they are subject to deductible and you will pay the full, discounted cost (Cigna negotiated cost) of the medication until you reach the deductible amount. Once you reach the deductible, your prescription costs are as follows:

<i>Medication Tier:</i>	<i>Your Cost: % of the discounted cost (Cigna negotiated cost)</i>
<i>Generic</i>	20% after plan deductible
<i>Preferred Brand</i>	30% after plan deductible
<i>Non-preferred Brand</i>	40% after plan deductible
<i>Self-Administered Injectable</i>	50% after plan deductible

Q: What if I use the money in my HSA account to pay for non-qualified medical expenses?

A: The amount you spend on the non-qualified expense will be considered part of your taxable income. You will also owe a 20% penalty on that amount. In addition non-qualified expenses will not apply towards your deductible.

Q: Who holds the money in my HSA?

A: Davidson College's health savings accounts are set up through HSA Bank.

Q: Will my HSA earn interest?

A: Yes. The HSA is an interest-bearing checking account.

Q: May I invest my HSA?

A: Yes. You can begin investing once you have the initial minimum balance of \$2,000 in your HSA. If you wish to invest your HSA funds, you can request a prospectus for each fund that will provide more details.

After you have the initial balance of \$2000 and make an investment, you do not have to maintain a minimum balance.

Q: Are the interest and investment earnings in my HSA tax-free?

A: Yes, when the funds are distributed and used for a qualified medical expense. Interest and investment earnings grow tax-deferred in the account.

Q: Are any administrative fees charged to my HSA?

A: The College pays the fees to set up and maintain the account, but typical banking fees apply, such as charges for new checks, overdraft charges or charges for replacement debit cards. Upon enrollment in the program, you will receive information about the account, including the Health Savings Account Deposit Agreement and Disclosure Statement. Please refer to the Health Savings Account Deposit Agreement and Disclosure Statement for details on the fees.

Q: Can employees use their HSA contributions to pay their domestic partner's claims?

A: HSA monies could be used to pay domestic partner claims, however, they wouldn't be qualified medical expenses, and therefore will be subject to regular income taxation, and if the account beneficiary (the owner of the HSA account) is under age 65, an additional 20% excise tax, so the practical answer is no.

Q: Can the college contribute the Employee + Partner/Spouse rate of contribution for employee + domestic partner?

A: Yes, the college can and will contribute at the \$1,500 HSA level, but the employee will be able to use the funds only for his/her own expenses and for those of any children whom the employee claims on his/her taxes.

Q: What is the maximum amount that I, the employee, can contribute to the health savings account?

A: The 2019 maximum contribution to a health savings account for a family is \$7,000 and \$3,500 for employee only. That is the maximum for employer and employee combined, so if the college is contributing \$1,500 for a family, the employee can contribute up to the remaining \$5,500.

For employee only coverage the college is contributing \$750 so the employee may contribute up to the remaining \$2,750. These amounts are the same even if the two spouses/partners have two Health Savings Accounts. (If either partner/spouse is over 55 years of age, the family limit is increased by \$1,000, for a maximum contribution of \$8,000. The employee only limit is increased by \$1,000 for a maximum contribution of \$4,500).

Q: My spouse and I are both 55 can we both make a catch-up contribution?

A: Yes; however, the catch-up amount cannot be combined and put into one HSA. Each spouse must open an HSA and put the catch-up amount into his/her own respective HSA. If you are married, and both of you are age 55, each of you can contribute additional \$1,000.

B: However, because HSA is in an individual's name - there is no joint HSA even when you have family coverage - only the person age 55 or older can contribute the additional \$1,000 in his or her own name. If only the husband is 55 or older and the wife contributes the full family contribution limit to the HSA in her name, the husband has to open a separate account for the additional \$1,000. If both husband and wife are age 55 or older, they must have two HSA accounts if they want to contribute the maximum. There's no way to hit the maximum with only one account.

Q: If my child is on my spouse's insurance at another employer, can I pay for my child's healthcare expenses out of my health savings account?

A: Yes, but only if they are tax-dependent. IRS guidelines say that adult non-tax dependent children covered by their parent's HDHP cannot have any of their medical expenses paid for out of their parent's HSA. The adult child qualifies for an HSA and will need to set up his or her own. This can be done at most financial institutions.

Q: If I'm enrolled in the Traditional OAP plan, can I still set up a Health Savings Account?

A: No, the IRS requires that you be enrolled in a high deductible health plan to have a health savings account.

Q: Can I use my HSA funds to pay for dental or vision expenses?

A: Yes, you may, but remember that money spent on dental or vision expenses does not count toward your deductible. If you use HSA funds for dental and vision expenses you will have less in your account to help pay for medical expenses should you incur a large claim.

Q: Where can I find a list of what the IRS considers "qualified expenses" for the HSA?

A: Qualified medical expenses are detailed in IRS publication 502: Medical and Dental Expenses, <http://www.irs.gov/pub/irs-pdf/p502.pdf>. The same expenses are considered "qualified expenses" for a health savings account as for a flexible spending account. You can also find the list on the Flores website at <https://www.flores-associates.com/fsaforms/medicalguide.pdf>.

Q: My spouse works for a different employer but we both have high deductible plans. If he has a HDHP at his employer and I have one at Davidson College, may we share a joint health savings account? A: No, unfortunately the IRS will not allow a joint HSA for spouses/partners. An HSA can have only one owner. If both husband and wife are eligible to contribute to an HSA, they are both eligible to establish separate HSAs and can contribute the family maximum (see question above) between the two accounts. However, if both spouses want to make "catch-up" contributions when they are age 55+, they must establish separate accounts.

Q: When will the college's contribution go into my HSA account?

A: The College will make contributions during each pay period. Funds normally take 2 to 3 days to post after Friday payday.

Q: Who owns the HSA?

A: The employee owns the HSA account. The college can only contribute money to the account. Only one person can be the HSA owner, so if both you and your spouse have qualified HDHP coverage, you must each have your own HSA.

Q: Can I roll the money in a Health Savings Account over into an IRA?

A: You cannot roll the HSA funds over into an IRA.

Q: Am I required to track the expenditures made from my HSA?

A: Yes, you must maintain a record of the expenses sufficient to demonstrate to the IRS that the distributions were for qualified medical expenses. If you were selected for a tax audit, a review of your HSA spending would likely be a part of that audit.

HSA's and FSA's

Q: Is an HSA the same as a Medical Flexible Spending Account (FSA) or Health Reimbursement Account (HRA)?

A: While an HSA is similar to a Medical FSA and HRA, there are several key differences. For example, an HSA has no "use-or-lose" provision as funds automatically carry over from year to year. The HSA is also portable if employment changes and funds can be invested. However, since an HSA provides an attractive tax benefit, the IRS sets the annual contribution limits, limits the types of other plans that can be offered alongside an HSA and requires that the HSA be combined with an HSA-compatible health plan.

Q: How do an HSA and an FSA work together?

A: Both the HSA and the FSA are governed by IRS rules, and you can use the money in the two accounts for exactly the same things. However, the government says that if you have an HSA account you can also have an FSA but you can only use the money in the FSA for dental or vision expenses until you have met \$1350 of your individual deductible. For those enrolled in family coverage, the minimum amount to meet is \$2,700 before medical and/or prescription expenses are eligible. You will have to provide evidence to Flores showing you have met your deductible, typically by sending in an explanation of benefits from your medical carrier.

Employees with Other Coverage (Medicare, Veterans, Active Duty Military, etc.)

Q: Why is it a problem if I am on the HDHP and have Medicare or other coverage, such as Veterans coverage or coverage through my spouse's plan?

A: IRS guidelines say that you cannot open and actively contribute to an HSA plan if you are covered by any other medical plan that is not an HSA-compatible health plan. Any health plan that is not an HSA-compatible plan would make you ineligible for an HSA. This includes coverage under a spouse's plan which is not an HSA-compatible plan and coverage under a General Medical FSA or HRA.

Q: What if I am on the HDHP and do not have other coverage but my spouse does have other coverage, such as veterans coverage or Medicare?

A: The employee is able to use the HSA for qualified medical expenses on their spouse (or any federally qualified tax dependent as defined by the IRS) regardless of other coverage and/or if they are not enrolled under the employee's HDHP plan.

Q: What Changes about My Health Savings Account When I Turn 65?

A: If an employee on the high deductible plan turns age 65 and is enrolled in Medicare part A, the employee can still pay health care bills from the health savings account after he or she begins Medicare part A. However, neither the employee nor college can contribute funds to the health savings account. Instead, the college will contribute to a health reimbursement account (HRA).

Q: Do I have to enroll in Medicare?

A: No, Anyone enrolled in a group health policies through their employer does not have to sign up for Medicare A or B when they turn 65. You can keep your employer coverage until you retire. You will then have eight months within which to sign up for Medicare without facing any penalties for late enrollment.

If you are receiving Social Security benefits, you are automatically enrolled in Medicare A. You must notify Human Resources if you are also enrolled in the High Deductible Health Plan. We will need to stop making contributions into your HSA and move them into an HRA.

Q: My spouse is covered under our HDHP with me, but he/she is over 65 and I am under 65. Do I have to have an HRA instead of an HSA?

A: If EE and spouse, and EE is under 65 but spouse is over 65 and on Medicare part A, EE and college can continue to contribute funds to HSA. EE can pay medical costs for spouse from HSA.

Q: What is the difference between an HRA and an HSA?

A: You and your employer can contribute to a Health Savings Account (HSA) only if you are enrolled in a High Deductible Health Plan, as defined by the IRS. You cannot have an HSA if you have any other healthcare coverage.

In 2013 the college began setting up Health Retirement Accounts (HRA) for employees who do have other coverage (such as Medicare or Veteran's coverage) but who still want to be on the HDHP. The biggest difference between the two accounts is that the employee cannot defer his or her own money to an HRA. Only the employer can contribute to the account.

HRAs and HSAs are governed by the same IRS rules, and money from both types of accounts can be used to reimburse the employee for the same types of medical expenses.

Q: How much will the college contribute to the HRA, and when?

A: The college makes the same contribution on the employee's behalf to an HRA as it would to an HSA, and on the same schedule.

Q: What happens if I switch back to the Traditional OAP plan?

A: If you have been on the HDHP and switch to the Traditional OAP plan, the college will no longer contribute to the HSA, and you cannot defer any of your own money into the HSA, but you can still pull money out of the account to reimburse medical expenses that are not paid for by the healthcare plan.

Q: What if my spouse is on my HDHP through the college but also has other coverage?

A: The employee can have an HSA account even if the spouse has other coverage, and the employee is able to use the HSA for qualified medical expenses on their Spouse (or any federally qualified tax dependent as defined by the IRS) regardless of other coverage and regardless of whether the spouse or other IRS dependent is enrolled under the employee's HDHP plan.

The college can only contribute at the employee-only rate if the spouse has other coverage, but the employee can use the funds for any IRS dependent, regardless of their plan type.

Q: If the employee turns 65 in mid-year, could the employee receive college contributions to the HSA for the first part of the year, until he or she actually turns 65?

A: Yes, the college will contribute to the HSA as long as you remain employed and you are not enrolled in Medicare A and B, or any other coverage. If you enroll in Medicare, the college cannot continue to contribute to a HSA but can instead begin to contribute to an HRA account on your behalf.

Questions About Two Spouses Who Both Work for the College

Q: If my spouse/partner and I are both employed by the college and we sign up separately with one of us carrying the children, will the college contribute \$750 to the Employee only health savings account and \$1,500 to the Employee plus children health savings account?

A: No, the college limits the maximum contribution to two employees to the contribution we would make if those two employees were on the family plan (currently a maximum contribution of \$1,500 per family). You will get a better premium by enrolling separately, but you will not get a higher college contribution to the health savings account. (Because of IRS guidelines, you will also not be able to share family deductibles or family out of pocket maximums with the spouse on a separate plan.)

Q: If my spouse and I both work for the college, can we use the same health savings account? A: Yes, the IRS will allow each of you to use the same account, but that account will be in only one of your names. That person will be the legal owner of the account. The second spouse can have a debit card for the account but cannot make pre-tax contributions to the account. Having only one HSA account may be more convenient for a couple (one account and one set of debit cards with the same account number), but there may also be disadvantages. Pre-tax contributions can only come from the account owner's check (contributions from the other spouse's check would be post-tax), and the couple will be limited to only one age-55-or-older catch up contribution.