Harvard University 2015 Medical Benefits

High Deductible Health Plan with
Health Savings Account Introduction
Topics for Discussion

• High Deductible Health Plan (HDHP) – Why Consider?
• High Deductible Health Plan Basics
• Health Savings Account (HSA)
• Limited Purpose Flexible Spending Account
• Harvard’s HDHP with HSA
• Key Points to Remember
High Deductible Health Plan – Why Consider?

- Lower premium than “traditional” plans
- PPO design with flexibility to receive care at in-network or out-of-network; lower cost share in-network
- Ability to open a tax-favored Health Savings Account that you own
  - Certain eligibility criteria apply to open an HSA
- Plan option can work well for some situations – e.g., minimal health care needs, interest in the tax savings of the HSA
• HDHP Annual Deductible:
  - The deductible is the amount you must pay for health care services each year before the health plan begins to pay
  - Applies to ALL covered services – medical and prescription drugs
    - EXCEPTION: In-network preventive care is covered at 100%
  - For individual coverage, you must meet the individual **deductible** before the plan begins to pay
  - For family coverage, you must meet the **family deductible** before the plan begins to pay for any member of the family (there is no “per person” cap like in the HMO, POS or PPO plans)
High Deductible Health Plan: Basics

- **HDHP Coinsurance & Copayments:**
  - After the deductible is met, the plan shares in the cost of services through coinsurance or copayments
  - Coinsurance is the percentage of covered costs you pay for covered services
  - Copayments are flat dollar amounts you pay for covered services

- **How deductible and coinsurance works for an Individual:**

<table>
<thead>
<tr>
<th>$5,000 In-network Surgery</th>
<th>Individual Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>First, the employee pays the annual <strong>deductible:</strong></td>
<td>$1,500</td>
</tr>
<tr>
<td>Then, <strong>coinsurance</strong> applies to the balance: $3,500</td>
<td>15% x $3,500 = $525</td>
</tr>
<tr>
<td>Total amount paid by the employee:</td>
<td>$2,025</td>
</tr>
</tbody>
</table>

**Meets deductible!**
High Deductible Health Plan: Basics

- HDHP Annual Out-of-Pocket Maximum:
  - Higher maximum than “traditional” plans
  - Includes all your expenses: Deductible, coinsurance and copayments
  - Once you meet the maximum, the plan pays in full for the calendar year
  - For individual coverage you must meet the **individual out of pocket maximum** before the plan pays 100%
  - For family coverage, you must meet the **family out of pocket maximum** before the plan pays 100% for any member of the family

- All of these provisions make the HDHP a “qualified HDHP”
Health Savings Account (HSA): Eligibility

- You must be covered by an HSA-qualified HDHP.
- You cannot be enrolled in other coverage that is not HSA-qualified, such as the following:
  - Non-HDHP medical plan (e.g., through spouse’s employer plan)
  - Medicare
  - Medicaid or a similar public program
  - Health care FSA; being eligible to receive reimbursements under a family member’s health care FSA will also make you ineligible for an HSA – more on this later
- You cannot be someone else’s tax dependent.
Health Savings Account (HSA): Tax Savings

- HSA tax advantages are threefold:
  - Funds are not taxed when contributed (e.g., pre-tax from salary);
  - Investment earnings on funds are not taxed; and
  - If used for qualified medical expenses, distributions are not taxed

- IRS sets annual HSA contribution limits; 2015 limits are:
  - $3,350 Self-only coverage
  - $6,650 Family (two or more people) coverage
  - Age 55 or older: additional $1,000 annual “catch-up” contribution

- Limits apply to contributions from all sources (including your contributions and employer contributions)

- You own any funds in your HSA – no “use it or lose it”
Health Savings Account (HSA): Expenses

- Eligible expenses can be reimbursed tax-free only if the date of service is after you establish your HSA
  - HSA funds used for non-eligible expenses are subject to taxation as income and a 20% penalty if you are under age 65 and not disabled
- You can only access funds that are in your account
- Your HSA can be used to reimburse:
  - Your own expenses
  - Your spouse’s (opposite or same sex)
  - Your tax dependents (e.g., your tax dependent children)
  - These family members don’t have to be enrolled in your health plan or be HSA-eligible themselves
HSA can be used for current expenses such as:

- Medical expenses: Deductibles, coinsurance, copayments
- Dental expenses and orthodontia
- Vision hardware (prescription glasses and sunglasses, plus contact lenses) and vision correction surgery
Health Savings Account (HSA): Expenses

Or you can let your HSA grow and save for future medical expenses in retirement including:

- Medicare premiums (typically Parts B and D)
- Premiums for Medicare Advantage (private plans that replace Medicare for seniors)
- Many Medicare supplement plan premiums

*Remember*: You own any contributions made to your HSA; there is no current IRS limit on account growth and no “use it or lose it” rule. You chose how to use your HSA.
Limited Purpose Flexible Spending Account (FSA)

- Neither you *nor your spouse* can be enrolled in an employer’s traditional health care FSA plan
  - The IRS considers a health care FSA a health plan
- You can enroll in a Limited Purpose FSA
  - This type of FSA reimburses dental and vision services only
  - Allows you to retain the tax advantage for non-medical FSA expenses without losing your eligibility for the HSA
- All other FSA rules and features apply to the Limited Purpose FSA such as
  - $2,500 maximum; claim filing deadlines; “use it or lose it” rule
Harvard’s HDHP with HSA Option for 2015

- New option; offered through Harvard Pilgrim and HUGHP
- Plan highlights (in-network HDHP shown):

<table>
<thead>
<tr>
<th>HDHP Plan with HSA</th>
<th>Individual Plan</th>
<th>Family Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventive Care</td>
<td>Covered in full, no deductible</td>
<td></td>
</tr>
<tr>
<td>For all other covered services, including prescription drugs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deductible applies first:</td>
<td>$1,500</td>
<td>$3,000</td>
</tr>
<tr>
<td>Medical services, after deductible:</td>
<td>15% coinsurance</td>
<td></td>
</tr>
<tr>
<td>Prescription drugs, after deductible:</td>
<td>Same copays as other plans</td>
<td></td>
</tr>
<tr>
<td>Out of Pocket Maximum</td>
<td>$3,000</td>
<td>$6,000</td>
</tr>
<tr>
<td><strong>Once Maximum is met, plan pays 100% of covered expenses for the year.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Harvard’s HSA Contribution</strong></td>
<td><strong>$500</strong></td>
<td><strong>$1,000</strong></td>
</tr>
</tbody>
</table>

If you enroll in the HDHP, you are not eligible for the Reimbursement Program.
Key Points to Remember

- The HDHP requires greater out of pocket cost when you use services
  - If a high deductible expense would cause financial hardship, this may not be the right plan choice for you

- HDHP premium is lower than Harvard’s other options

- If you meet the eligibility requirements, you can contribute to the HSA pre-tax AND Harvard will contribute as well

- No use-it-or-lose it in the HSA; tax advantages when funds are used for eligible expenses

- You can only participate in a Limited Purpose FSA
## Harvard’s HDHP Plan
### Detailed Plan Design

<table>
<thead>
<tr>
<th>Plan Feature</th>
<th>In-Network</th>
<th>Out-of-Network</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deductible</strong></td>
<td>$1,500 (individual plan) / $3,000 (family plan)</td>
<td>$6,000 (individual plan) / $12,000 (family plan)</td>
</tr>
<tr>
<td>Individual/Family</td>
<td>For family coverage, the full family deductible must be met before employer (Harvard) coverage begins</td>
<td>For family coverage, the full family out-of-pocket maximum must be met before employer (Harvard) coverage begins</td>
</tr>
<tr>
<td><strong>Coinsurance (for non-preventive care once deductible is met)</strong></td>
<td>15% coinsurance</td>
<td>35% coinsurance</td>
</tr>
<tr>
<td><strong>Out-of-Pocket Maximum (includes deductible, coinsurance and prescription drug copayments)</strong></td>
<td>$3,000 (individual plan) / $6,000 (family plan)</td>
<td>$6,000 (individual plan) / $12,000 (family plan)</td>
</tr>
<tr>
<td>Individual/Family</td>
<td>For family coverage, the full family out-of-pocket maximum must be met before 100% employer (Harvard) coverage begins</td>
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</tr>
<tr>
<td><strong>Preventive Care</strong></td>
<td>Covered at 100%</td>
<td></td>
</tr>
<tr>
<td><strong>Emergency Room</strong></td>
<td>Deductible, then 15% coinsurance</td>
<td></td>
</tr>
<tr>
<td><strong>Your cost for all other covered non-preventive care such as: PCP/Specialist Office Visits; Hospital Admissions; Outpatient Surgery; In-patient Surgery; Advanced Diagnostic Testing; Lab/X-Rays</strong></td>
<td>Deductible, then 15% coinsurance</td>
<td>Deductible, then 35% coinsurance</td>
</tr>
<tr>
<td><strong>Prescription Drugs (Retail/Mail-Order):</strong></td>
<td>$7/$14, after deductible</td>
<td>$20/$50, after deductible</td>
</tr>
<tr>
<td>• Generic</td>
<td>$45/$110, after deductible</td>
<td></td>
</tr>
<tr>
<td>• Preferred Brand-Name</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Non-Preferred Brand-Name</td>
<td></td>
<td></td>
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</tbody>
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Additional Assistance & Resources

• Call Harvard Pilgrim Health Care **Total Assist** line at 1-866-874-0817

• Call HUGHP Member Services at 1-617-495-2008 or email mservices@huhs.harvard.edu

• Email Harvard Benefits at benefits@harvard.edu or call 617- 496-4001

• Premium rates, FAQs and updates posted to HARVie at: harvie.harvard.edu>Compensation and Benefits>Open Enrollment 2015

• Your 2015 Benefit Open Enrollment Guide