



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



High Deductible Health Plan: Basics

■ 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:**

\$5,000 In-network Surgery	Individual Plan
First, the employee pays the annual deductible :	\$1,500
Then, coinsurance applies to the balance: \$3,500	15% x \$3,500 = \$525
Total amount paid by the employee:	\$2,025

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



Health Savings Account (HSA): Expenses

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):

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

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

Plan Feature	In-Network	Out-of-Network
Deductible Individual/Family	\$1,500 (individual plan) / \$3,000 (family plan) For family coverage, the full family deductible must be met before employer (Harvard) coverage begins	
Coinsurance (for non-preventive care once deductible is met)	15% coinsurance	35% coinsurance
Out-of-Pocket Maximum (includes deductible, coinsurance and prescription drug copayments) Individual/Family	\$3,000 (individual plan) / \$6,000 (family plan) For family coverage, the full family out-of-pocket maximum must be met before 100% employer (Harvard) coverage begins	\$6,000 (individual plan) / \$12,000 (family plan) For family coverage, the full family out-of-pocket maximum must be met before 100% employer (Harvard) coverage begins
Preventive Care	Covered at 100%	
Emergency Room	Deductible, then 15% coinsurance	
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	Deductible, then 15% coinsurance	Deductible, then 35% coinsurance
Prescription Drugs (Retail/Mail-Order): • Generic • Preferred Brand-Name • Non-Preferred Brand-Name	\$7/\$14, after deductible \$20/\$50, after deductible \$45/\$110, after deductible	



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