It’s Your Choice
High Deductible Health Plan (HDHP)
with Health Savings Account (HSA)

Office Professionals Conference
April 26, 2017

Presenter: Thomasin Propson
Preventive Health Services

Preventive services covered 100%
Federal law requires that specific preventive services provided by IYC HDHP in-network providers be offered at no cost to you, including

- Routine annual check-ups
- Certain screenings for illness
- Certain Prescriptions

Learn more:
- [www.healthcare.gov](http://www.healthcare.gov) > search: preventive
- [http://etf.wi.gov](http://etf.wi.gov) > search: preventive
# Uniform Dental (Preventive)

## Uniform Dental Benefit Summary

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Coverage Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Provider Network: Delta Dental PPO or Delta Dental Premier Providers</td>
<td></td>
</tr>
<tr>
<td>Annual Benefit Maximum</td>
<td>$1,000 per person</td>
</tr>
<tr>
<td>Deductible</td>
<td>$0</td>
</tr>
<tr>
<td>Diagnostic and Preventive Services</td>
<td></td>
</tr>
<tr>
<td>Exams, cleanings, X-rays</td>
<td>100%</td>
</tr>
<tr>
<td>Sealants, fluoride treatments</td>
<td></td>
</tr>
<tr>
<td>Restorative Services</td>
<td></td>
</tr>
<tr>
<td>Amalgam (silver) fillings</td>
<td>100%</td>
</tr>
<tr>
<td>*Resin (white) fillings paid up to the cost of silver fillings</td>
<td></td>
</tr>
<tr>
<td>Other Services</td>
<td></td>
</tr>
<tr>
<td>Anesthesia (in conjunction with any covered service under the UDB)</td>
<td>80%</td>
</tr>
<tr>
<td>Periodontics – Maintenance only</td>
<td></td>
</tr>
<tr>
<td>Emergency Palliative Care – to relieve pain</td>
<td></td>
</tr>
<tr>
<td>Orthodontic Services</td>
<td></td>
</tr>
<tr>
<td>Individual lifetime maximum</td>
<td>50%</td>
</tr>
<tr>
<td>Dependents eligible to age 19</td>
<td>$1,500 per person</td>
</tr>
<tr>
<td>Non-covered Services (examples)</td>
<td>No Coverage</td>
</tr>
<tr>
<td>Crowns, bridges, dentures, implants, endodontics (root canal treatment)</td>
<td></td>
</tr>
</tbody>
</table>

**NOTE: This summary does not include all plan details. Please refer to the summary plan description from Delta Dental of WI for a thorough explanation of your plan, including limitations and exclusions.**
State Group Health -
IYC High Deductible Health Plan

- Certain **preventive services**, **Rx**, and Uniform Dental covered immediately (not subject to deductible), otherwise...

You pay the **full, negotiated cost** for all non-preventive medical services and prescription costs until annual deductible is met.

- **Annual deductible:**
  - $1,500 deductible for Single Coverage
  - $3,000 deductible for Family Coverage

- **After deductible is met**, you pay office visit copays and 10% coinsurance on most covered medical services and copays/coinsurance for Rx up to the out-of-pocket-limits (OOPLs) of another $1,000 for Single Coverage or $2,000 for Family.
2017 Estimated Annual Cost Comparison
Single Coverage with Uniform Dental

**Annual Premium**
- **$396**

**Deductible**
- **$1,500**

**After Deductible:**
- **Medical and Rx OOPL**
  - **$1,000**

**Possible Expense**
**Fixed Expense**

**HSA Contribution:**
- How much will you contribute to your HSA to cover these unknown expenses and/or to invest for future?

**Medical OOPL**
- **$1,000**

**Rx (Tiers 1 & 2) OOPL**
- **$600**

**Possible Cost:** $2,146
Expenses minus full 2017 Employer HSA contribution
**prorated if hired mid plan year**

**Your costs could be much higher if you take Level 3 or 4 drugs**

**HSA Contribution:**
- Employer’s Contribution to your 2017 HSA
  - **$750**

**Health Plan**
- **$1,056**

**Deductible**
- **$250**

**Possible Cost:** $2,906
*Only includes Level 1 & 2 drugs.

- **Annual Premium**
  - **$1,056**

**OOPL = Out-of-Pocket Limit**

2017 UW-Madison Benefits Services
Who is Eligible for the IYC HDHP?

You are eligible to apply for the IYC HDHP if you:

- Participate in the WI Retirement System (WRS); and
- Are not claimed as a dependent on another’s taxes; and
- You do not have other non-HDHP health coverage *

*This includes

- Medicare (including Part A)
- A spouse’s/partner’s health insurance
- A spouse’s/partner’s/parent’s Health FSA
- Tricare (& possibly recent use of VA benefits)
Tricare

A Health Plan Program for:

• Uniformed Service member (includes active duty & retired members of the U.S. Army, Airforce, Navy, Marine Corps, Coast Guard, the Commissioned Corps of the U.S Public Health service, and the Commissioned Corps of the National Oceanic and Atmospheric Assoc.)

• National Guard/Reserves member

• Survivors of member

• Former spouse of member

• Medal of Honor recipient and family

• Others registered in the Defense Enrollment Eligibility Reporting System (DEERS)
Ideal Candidates

- Savvy about healthcare
- Interested & engaged in healthcare decisions
- Want more control over healthcare dollars
- Understand their financial exposure and are able to plan for it
What is the Advantage?

- Lower premiums than non-HDHP policies
- Employer contributions are yours to keep*
- Level 3 Rx users may find value in the HDHP OOPL
- Ability to set-aside money tax free for current medical expenses (lower taxable gross income)
- Ability to grow unused savings tax-deferred year after year
- Ability to use that pretax money for medical expenses in the future – especially in retirement

*Annuitants & Craftsworkers don’t receive employer contribution
Who Plays a Role?

• **UW-Madison**
  Forwards paperwork. Deducts money via payroll, sends it to TASC

• **TASC**
  Primary liaison between participant & Healthcare Bank

• **Healthcare Bank**
  Manages contributions, investments & distributions

• **ETF**
  Administers benefits for state employees
Who Plays a Role?

Most Importantly...
You!

Responsibility
Health Savings Account (HSA)

**What is an HSA?**
An HSA is a bank (savings) account.

**Who can open and fund an HSA?**
To open and fund this type of account, you must be covered by a qualified HDHP and must not be covered by other health insurance that is not a qualified HDHP.
What qualifies as an HDHP?

Per § 223(c)(2)(A)*

- a **Deductible** of at least $1,300 (Single) or $2,600 Family, and
- an **Out of Pocket Limit** (OOPL) of no more than $6,550 (Single) or $13,100 (Family)

The 2017 IYC HDHP meets these requirements

*Adjusted annually for inflation
Health Savings Account (HSA)

Per State policy, if enrolling in the IYC High Deductible Health Plan (HDHP) it is required that you open an HSA with the State’s third party administrator (TASC)
Establish an Account

Submit HDHP & HSA applications together

www.ohr.wisc.edu/benefits/health

State Group Health Insurance

Forms

Note: Use Adobe Reader to open and complete PDF forms.
MAC Users: Do not use "Preview", a PDF reader.

APPLICATIONS | SUBMIT TO YOUR PAYROLL & BENEFITS OFFICE

Health Insurance Application/Change Form, ET-2301
If Enrolling in HDHP: HSA Paper Enrollment Form
Establish an Account

Will my employer contribute to my HSA with TASC?
In most cases, yes!*

Must I contribute money into my HSA with TASC?
No. But you must open the bank account.

Is there a maximum contribution limit?
Yes.

<table>
<thead>
<tr>
<th>HDHP Enrollment</th>
<th>Employer Contribution (will be prorated if enrolling after Jan 1st)*</th>
<th>2017 Contribution Limit (including employer $)**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$750/year</td>
<td>$3,400</td>
</tr>
<tr>
<td>Family</td>
<td>$1,500/year</td>
<td>$6,750</td>
</tr>
</tbody>
</table>

*Halve if paying Less Than Half Time Rates; N/A for Craftworkers and Rehired Annuitants

**If age 55+, allowed to contribute additional $1,000 annually
Establish an Account

*Is the employer contribution paid in one lump sum?*
No. The employer contribution will be divided evenly between paychecks.

*May I start/stop my contributions throughout the year?*
Yes.

*Must I re-enroll in the HSA each year?*
Yes. Re-enroll each annual benefit period if continuing in the HDHP the next year.
Growth of the Account

• Contributions
  • Employer (reviewed annually)
  • Employee (voluntary)
    • Pretax via payroll
    • Directly to Healthsavings Bank
      • Claim on taxes when you file

• Interest
• Investments in mutual funds
  • Once balance is greater than $2,000
My family’s IYC HDHP & HSA are in my spouse’s name; can I open an HSA as well?

Yes, the HDHP doesn’t have to be in your name to open an HSA.

• You would have to open the account at your own bank and pay your own bank fees
• Your family’s total contributions are still subject to the IRS maximums.

Why might I do this?

You may be eligible for the age 55+ catch-up and have the ability to maximize family HSA contributions.
How do I Access my HSA $?

- TASC card
- Distribution Form
- Online request through TASC

You have access to your HSA money after deposits are made into your account (paycheck by paycheck).

*Keep All Your Receipts!*
Whose Expenses Can You Claim?

- Your own
- Spouse
- Tax Dependent(s)

*Spouse and tax dependent(s) do not need to be covered under your HDHP policy for you to submit their medical expenses under your HSA.*
What are Qualified Expenses?

- A medicine or drug which requires a *prescription*
- Vitamins (*if* recommended by a medical practitioner as treatment for a specific medical condition diagnosed by a physician)
- Insulin
- Co-payments, Deductible and Co-insurance
- Acupuncture
- Bandages
- Crutches
- Chiropractic visits
- Dental Treatments
- Infertility Treatments
- Flu shots
- Eye glasses/exams
- Psychotherapy, psychiatric, psychological services

*See IRS Publication 502 and TASC for additional guidelines*
Non-Qualified Medical Expenses

These items *cannot* be run through your HSA account pretax:

- Non-prescription, OTC medicines (exception: insulin)* (e.g., Ibuprofen, Tylenol, nasal decongestants, cough drops)
- Controlled Substances that aren’t legal under federal law (e.g., marijuana)
- Cosmetic Surgery
- Weight-Loss Programs
- Personal Use Items (e.g., toothbrush, toothpaste)
- Nutritional Supplements for ordinary good health
- LP FSA reimbursements
- Maternity Clothes
- Teeth Whitening
- Veterinary Fees
- Health Club Dues

*Over the counter medicines and drugs require a Rx for disbursement.
Example: Your doctor recommends that you take aspirin but does not write you a Rx. Because aspirin is a drug that doesn’t require a physician’s prescription, you can’t include it as a qualified medical expense in your HSA.
Non-Qualified Expenses

If you receive distributions for reasons other than qualified medical expenses:

- The amount is subject to income tax &
- May be subject to an additional 20% penalty

Examples of prohibited transactions include the direct or indirect:

- Sale, exchange, or leasing of property between you and the HSA,
- Lending of money between you and the HSA,
- Furnishing goods, services, or facilities between you and the HSA, and
- Transfer to or use by you, or for your benefit, of any assets of the HSA.

HSA & Recordkeeping

You **must** keep records sufficient to show that:

- The distributions were exclusively to pay or reimburse qualified medical expenses;

- The qualified medical expenses had not been previously paid by or reimbursed from another source; and

- The medical expenses had not been taken as an itemized deduction in any year.

Do not send these records with your tax return. Keep them with your tax records.
Is there a deadline by which I must use my HSA to pay for a year’s expenses?

If the HSA was established at the time the qualified medical expense was incurred, an account beneficiary may defer to a later year the distribution from the HSA to pay or reimburse for those qualified medical expenses. You must keep records sufficient to later show the use was qualified and not previously paid or reimbursed from another source nor itemized in any prior tax year.

I’m on Medicare, can I have an HSA?

You may not open or contribute to an HSA if you have non-HDHP coverage such as Medicare, no. However, you may keep any HSA you’d previously opened and use it tax-free for qualified medical expenses or as taxable income for non-qualified expenses.
An HSA & an (LP)FSA?

Can I contribute to both?
Yes! *If* the FSA is a “limited purpose” (LP)FSA, reimbursing only dental, vision & post-deductible medical expenses.

*If you enrolled in the HDHP/HSA plan for 2017 and had unspent Health FSA from 2016...*
As much as $500 of your unspent Health FSA will carryover into an LPFSA for use in 2017.
An HSA & an (LP)FSA?

What is the benefit of contributing to both?

A Limited Purpose FSA allows you to continue to contribute to your HSA and set-aside pretax dollars for vision and dental expenses. This may help you maximize your tax savings beyond your HSA alone.
## Eligible LPFSA Expenses

### Dental Expenses
- Braces and orthodontia
- Cleanings
- Crowns
- Fillings
- Dentures
- Copayments and deductibles

### Vision Expenses
- Eye exams
- Prescription eyeglasses
- Prescription contact lenses
- Contact lens solution
- Laser eye surgery / LASIK
- Copayments and deductibles

### Medical Expenses

Medical expenses may be run through only after your HDHP deductible has been met
Consider enrolling during fall’s annual benefit period.

<table>
<thead>
<tr>
<th>Employee Annual Salary Reduction Election Amount</th>
<th>IRS Contribution Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$2,550 per year</td>
</tr>
<tr>
<td>$</td>
<td>$2,550 per year</td>
</tr>
<tr>
<td>$</td>
<td>$5,000 per year; $2,500 if married filing single</td>
</tr>
<tr>
<td>$</td>
<td>$1,560 per year/$130 per month</td>
</tr>
<tr>
<td>$</td>
<td>$3,000 per year/$255 per month</td>
</tr>
</tbody>
</table>

I request the following amount(s) to be deducted pretax:

1. Health Care FSA
2. **Limited Purpose Health Care FSA**
3. Dependent Day Care FSA
4. Transit Reimbursement Account
5. Parking Reimbursement Account
<table>
<thead>
<tr>
<th><strong>2017 HSA vs. Health FSA/LPFSA</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HSA</strong></td>
</tr>
</tbody>
</table>
| 2017 Contribution Maximum | Single HDHP: $3,400 (& $1,000 if 55+)  
Family HDHP: $6,750 (& $1,000 if 55+) | $2,550 |
| Type of health plan with which it works | May open & contribute if enrolled in HDHP | Any type (LPSA for health if in HDHP with HSA) |
| Account Owner | You, the Employee | Employer |
| Who contributes? | UW-Madison  
Employee may also contribute | Employee.  
No UW-Madison contribution |
| Do the funds roll-over from year to year? | Yes | Max of $500 rollover to the next year |
| What if you leave state service? | You keep account and funds, but are responsible for any bank fees | If you elect COBRA continuation, may be open and active thru end of year. Otherwise, account closes end of month of last contribution |
| Use for non-qualified expenses? | Allowed, but taxes and penalties apply (consult a tax advisor) | No |
| When are you able to use the money? | As soon as it is deposited into the account | As soon as the plan is effective |
Termination of Employment

- Any employer contribution to HSA ends when employee HDHP insurance ends
- You will be responsible for paying all HSA fees
  - Current maintenance fee is $3/month, automatically deducted from account balance
- You may continue to use your HSA for qualified expenses pretax
Retire Prior to Age 65

- May continue to participate in IYC HDHP (paying the full premium without employer contribution) and contribute to your HSA as a retiree for as long as you are eligible
  - (e.g., until you turn 65 and enroll in Medicare)
- Will no longer receive an employer contribution into your HSA
- You will be responsible for paying all HSA fees
  - Current maintenance fee is $3/month, automatically deducted from account balance
Remain Employed Age 65+

• If **deferring Medicare** (including Part A*) and remaining on HDHP
  • Continue to receive employer HSA contribution
  • You may continue to contribute to your HSA

*Remember*: As of age 65, you may use your HSA to pay for non-qualified expenses

• Non-qualified withdrawals are considered taxable income but are not be subject to other penalties

*Can defer Part A only if not collecting Social Security benefits*
Retire at or after Age 65 +

Prior to retirement, consider:

- State’s retiree health requires enrollment into Medicare Parts A & B
  - *Part A may be retroactive back 6 months (depends upon enrollment into Social Security)*
  - Taxes and penalties imposed if your HSA received contributions while covered by Medicare
- You may want to transition to a non-HDHP policy as many as six months prior to your retirement date.
  - Annual benefit enrollment changes effective January 1st following the fall period
Retire at or after Age 65+

Upon retirement:

• State retiree health requires you enroll in Medicare Parts A & B, and thus you may no longer contribute to your HSA

• You may continue to withdraw from the HSA tax-free for qualified medical expenses
  • May also withdraw from your HSA to pay for Medicare premiums (Medigap insurance premiums do not qualify)

• You will be responsible for paying all HSA fees
  • Current maintenance fee is $3/month
Troubleshooting

Where do I go if I have a problem?

TASC

- https://employee.eflexgroup.com
- Member Services: 1-800-745-9202
Troubleshooting

Where do I go if I have a problem?

**UW-Madison Benefits**

- [www.benefits.wisc.edu](http://www.benefits.wisc.edu) has forms & general plan information
- Via 608/265-5650 or [benefits@ohr.wisc.edu](mailto:benefits@ohr.wisc.edu) for questions and issues

**UW System Admin (UWSA)**

- [https://goo.gl/vI53um](https://goo.gl/vI53um) for information on the HDHP & HSA

For advanced issues, UW-Madison Benefits and UWSA work together with the vendor for a resolution
Troubleshooting

Where do I go if I have a problem?

IRS info

- IRS Publication 502 on qualified expenses
- IRS Publication 969 on HSA’s

Tax advisor

- For specific questions regarding taxes and filing requirements for HSAs work directly with your tax advisor
Troubleshooting

What if I change pay schedules?

- Biweekly (24 contributions) to Monthly (12 or 9)
- Monthly (12) to biweekly (24)
- Monthly to Monthly (12 to 9 –or– 9 to 12)
  - For all pay schedule changes the payroll system (HRS) should re-calculate your annual election to a new deduction amount based on the remaining pay periods in the calendar year
  - Please closely watch your pay stub and your TASC account to ensure the deductions are accurate and that the correct employer and employee amounts are posted into your HSA
Resources

- HSA Center – general HSA info, calculator and FAQs
  - www.hsacenter.com

- Hospital, doctor, and service rates / general Rx costs
  - www.wipricepoint.org/default.aspx
  - https://healthcarebluebook.com
  - www.goodrx.com
Resources

• ETF’s website – specifics on the IYC HDHP with HSA
  • HDHP with HSA: http://etf.wi.gov/members/IYC2017/et-2107hdhp.asp

• Navitus – specifics on your prescription costs
  • www.navitus.com

• IRS Publication 969 - overall guide on HSAs

• IRS Publication 502 - list of qualified expenses
Resources

https://partners.tasconline.com/ETFEmployee

- TASC’s HSA Eligible Expenses
- TASC’s HSA Distribution Request Form
- TASC’s HSA Change of Election Form
- TASC’s Limited Purpose Health Care FSA (LPFSA)
Questions?

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