



Center for Health

# HealthFlex High-Deductible Health Plan

## Frequently Asked Questions

### HealthFlex HDHPs

#### OVERVIEW

**Q: What is a qualified high-deductible health plan (HDHP)?**

**A:** An Internal Revenue Service (IRS)-qualified HDHP is a type of health coverage that allows you or your employer to contribute to a health savings account (HSA) to pay health care expenses or save for future needs, while the health plan protects you from catastrophic medical expenses. The HDHP plan design encourages you to more actively choose: your health care providers, how you use health care services, and improve your health with respect to factors that you can control—while having HSA funding to access or save. An HDHP is sometimes called a “consumer” plan because it allows you to control how your health care dollars are spent—similar to how you “shop” for other goods and services. You must meet a deductible before any expenses—including pharmacy expenses—are paid by the plan.

**Q: How is a HealthFlex qualified HDHP different from other HealthFlex plans?**

**A:** The biggest differences in an HDHP are:

1. the deductible includes medical, behavioral health and pharmacy expenses, and the deductible must be met before the plan pays anything\* for medical, behavioral health or pharmacy services;
2. there is a true “family” deductible—if dependents are covered, the full family deductible must be met before the plan pays anything,\* even if only one family member incurs costs; and
3. eligibility to contribute to a health savings account (HSA).

*\*Under the HDHP, preventive care and wellness services are still covered at 100% when you use an in-network provider, and are not subject to the deductible.*

**Q: Does an HDHP have an approved network of providers (hospitals, physicians and other health care providers)?**

**A:** Yes. The HDHP uses the same broad network of providers as other HealthFlex plans. Similar to preferred provider organization (PPO) or consumer-driven health (CDHP) plans, you will experience greater savings or receive higher benefits when you use in-network providers.



## ABOUT HSAs AND DEDUCTIBLES

### Q: What is an HSA?

**A:** An HSA is an IRS-approved tax-exempt account that can reimburse eligible medical expenses. Contributions can be made by the employer or the individual. Your HSA account is rolled over from year to year somewhat like a savings account, with no limit to the amount rolled over. A HealthFlex HSA reimburses all eligible items covered by a full-use health flexible spending account (FSA) that are not covered by the HDHP benefit design, including dental and vision expenses. A list of eligible expenses is available from WageWorks. (Log in to your HealthFlex/ WebMD account and select “**Reimbursement Accounts.**”) An HSA allows monies to be used even for expenses not related to health services (although with a tax penalty in some cases). The funds in an HSA belong to you (the account holder) and stay with you even after you terminate from the plan. HSA contributions are only allowed with a qualified high-deductible health plan (HDHP) as defined in the Internal Revenue Code.

An HSA has a unique triple tax advantage:

1. contributions are deductible from gross income;
2. interest accrues tax-deferred; and
3. withdrawals are tax-free for eligible expenses.

### Q: Who will administer the HSA for HealthFlex?

**A.** WageWorks will administer the HSA. WageWorks also administers the FSAs [sometimes called the medical reimbursement account (MRA) and dependent care account (DCA)] and health reimbursement account (HRA) for HealthFlex. Using WageWorks allows for a seamless transition and allows a single HealthFlex debit card (the “WageWorks Visa® Healthcare Card”) to be used for the HSA funds as well as limited-use health care FSA and limited-use HRA funds (dental/vision only). You can contact WageWorks at **1-877-924-3967 (1-877-WageWorks)**.

### Q: Does the HealthFlex HSA allow for plan sponsor or employer contributions?

**A:** The HealthFlex HDHPs include an “employer” contribution at the beginning of the plan year, which is included with your plan. See your *Summary of Benefits and Coverage* or your plan comparison document for contribution details depending on which plan you select. The employer contribution is plan-specific and applies even if you come into the plan mid-year. Additional employer contributions would have to be handled directly with the issuing bank, Bank of New York Mellon (BNY Mellon); the participant is responsible for complying with IRS maximum contribution limits.

### Q: Can I contribute money to my HSA?

**A:** Yes. You can contribute to the HSA through pre-tax payroll deductions. The maximum contributions (total of plan sponsor and personal contributions) for 2016 are \$3,350 for individual coverage and \$6,750 for a family. The participant is responsible for complying with IRS maximum contribution limits. **Note:** A participant 55 years or older can contribute up to an additional \$1,000 of ‘catch-up’ contributions.

### Q: What happens to the unused portion of my HSA after the plan year?

**A:** At the end of the plan year, unused HSA funds are rolled over to your HSA for the next plan year.

### Q: Is there a limit to how much money can accumulate when unused HSA funds are rolled over?

**A:** No. There is no HSA rollover limit.

### Q: Do HealthFlex HDHPs have a deductible?

**A:** Yes, the HealthFlex HDHPs include an annual deductible (please see the *Summary of Benefits and Coverage* for specific plan information). For the HDHPs, the deductible includes medical, pharmacy and behavioral health expenses. A deductible is a fixed amount you are required to pay before the plan pays any medical, pharmacy or behavioral health benefits. Any available HSA funds can be used to pay a portion of the deductible, and then you are responsible for paying the remaining portion of the deductible. If you cover dependents, you have a true “family” deductible (*see next question*). Certain eligible preventive and wellness services are covered by the plan—and are not subject to the annual deductible or co-insurance; they are covered at 100%.

**Q: If I have any dependents (one or more) covered in HealthFlex, do we need to meet the full family deductible before payment by the plan begins even if only one person incurs expenses?**

**A:** Yes. You must meet the full family deductible before the plan pays benefits for medical, pharmacy or behavioral health services—even if only one person incurs expenses. However, eligible wellness services such as annual checkups and age-appropriate immunizations and screenings are covered 100% by the plan—there is no deductible for wellness services.

**Q: Do HealthFlex HDHPs have an out-of-pocket (OOP) maximum?**

**A:** Yes, the HealthFlex HDHPs include an OOP maximum (please see the *Summary of Benefits and Coverage* for specific plan information). The OOP maximum includes medical, pharmacy and behavioral health expenses. It is the maximum amount out of pocket you would pay for your share of in-network, allowed expenses. Even if dependents are covered in the HDHP, each individual's expenses are capped at the embedded individual OOP maximum, with the family OOP maximum capping total family expenses, regardless of the number of covered dependents.

**Q: What expenditures are eligible for HSA reimbursement?**

**A:** The HealthFlex HSA reimburses all out-of-pocket expenses that would be covered by a full-use medical FSA and that are not paid by the HDHP plan design, including eligible medical, pharmacy, dental and vision expenses. All funds must follow usage guidelines set by HealthFlex, BNY Mellon and the IRS. Funds not used for eligible medical expenses are treated as taxable income subject to an IRS penalty if you are under age 65.

**Q: Are health plan premiums eligible for HSA reimbursement?**

**A:** Active health plan premiums cannot be reimbursed from an HSA. However, premiums may be deducted on a pre-tax basis from your payroll under a separate salary-reduction agreement with your salary-paying unit. The IRS allows limited use of HSA funds for continuation coverage, long-term care and Medicare premiums.

**Q: Do I have to pay for preventive medical services from my HSA?**

**A:** Preventive medical services—such as routine physical exams, age-based diagnostic screenings and immunizations—are covered at 100% by the plan under the HDHP when you receive care from in-network providers.

**Q: Can the money in the HSA be used for gym memberships?**

**A:** No. The money in the HSA should be used for eligible items that are not covered by the HDHP benefit design (same as those covered by a full-use medical FSA). Non-medical withdrawals from your health savings account are taxable income and may be subject to a tax penalty.

**Q: How do I access HSA dollars?**

**A:** Many participants will access HSA dollars through a debit card (WageWorks Visa® Healthcare Card) that is pre-funded with the applicable HSA amount. The debit card and details about how to use the card are provided by WageWorks, which partners with HealthFlex to administer the HSA, HRA and FSA benefits.

However, for participants that elect not to use the debit card, you will use Automatic Claims Administration. Auto-claim provides for automatic reimbursement in the form of a check or direct deposit into your designated bank account (subject to available HSA funds) when you use a network provider. You also may file a claim manually with WageWorks (online, mail or fax) for reimbursement of eligible expenses from your available HSA funds. Please contact WageWorks at **1-877-924-3967 (1-877-WageWorks)** for assistance in accessing HSA dollars.

**Q: Some clergy are considered self-employed for SECA taxes. Is the HSA considered “provided by an employer” if the clergy person is “self-employed”?**

**A:** Under federal tax law, clergy are considered self-employed for payroll/employment tax (SECA/FICA) purposes. However, they are not considered self-employed for other federal tax purposes (e.g., benefits). *With respect to benefits, United Methodist clergy are considered to be employees of the Church.*

This means that for benefits purposes, clergy can receive the same favorable tax treatment as common-law employees of a local church or annual conference. Local church, annual conference or church plan (i.e., “employer”) contributions on behalf of clergy to an HSA are excluded from taxable income of those clergy.

## FSAS AND HRAS

### Q: Can I have a medical FSA if I am in the HDHP?

A: Yes. You may combine a medical FSA (also called the “medical reimbursement account,” “MRA” or “health care FSA”) with an HSA. However, it will be a *limited-use* FSA that can be used for dental and vision claims only. If your spouse has a separate FSA, it must also be *limited-use* or HSA-compatible. Participants are responsible for complying with IRS regulations.

### Q: Can I use the HealthFlex debit card with my medical FSA?

A: Yes. You will use the HealthFlex debit card for both the HSA and a limited-use medical FSA (if you elect to contribute to a medical FSA—for dental/vision only). The debit card also applies to limited-use HRA funds (dental/vision only), if you have an HRA balance from a prior year. Details about how to use the debit card will be provided by WageWorks, which partners with HealthFlex to administer reimbursement account benefits.

For more details about HealthFlex debit card usage, please read *HealthFlex Debit Card: Frequently Asked Questions*. This document is available on the HealthFlex/WebMD website (log into [www.gbophb.org](http://www.gbophb.org), and browse under **Details and FAQs**).

### Q: Can I choose whether to use my HSA or limited-use health care FSA dollars to cover dental and vision expenses?

A: No. Based on the plan’s design, *the limited-use FSA always pays first for dental and vision expenses; then the HSA pays*. This is because FSA dollars are subject to the “use it or lose it” rule for unspent balances over \$500, so you risk losing your unspent FSA dollars for balances over \$500 at the end of a plan year. In contrast, unlimited unused HSA dollars can roll over from year to year.

### Q: If I have an HSA but not a limited-use FSA, or if I use up all of my limited-use FSA funds, do claims always need to be applied to the HSA? Can I choose to pay out of pocket instead?

A: You always have the option to pay for health expenses “out of pocket” (on your own), instead of using your available HSA funds. In this case, you would pay directly (not using the debit card) and not request reimbursement.

## MORE ABOUT THE HSA

### Q: Does the HSA account earn interest?

A: Yes. HealthFlex HSAs can earn interest depending on investment options. Please contact WageWorks or BNY Mellon for current account information.

### Q: Are there any tax advantages for money I have in the HSA?

A: There are three major tax advantages to an HSA.

1. Cash contributions to an HSA are 100% deductible from federal gross income (within legal limits).
2. Interest on savings accumulates tax deferred.
3. Withdrawals from an HSA for “qualified medical expenses” are free from federal income tax.

### Q: Can I use HSA funds for emergency or hardship purposes?

A: HSA funds are not accessible for hardship purposes without possible tax penalties. Non-eligible medical and nonmedical withdrawals from an HSA are taxable income and subject to a tax penalty.

**Exception:** This tax penalty does not apply if the withdrawal is made after the date a participant:

1. Attains age 65;
2. Becomes totally and permanently disabled; or
3. Dies.

**Q: How would the HSA work if one of the family members has a major medical incident? Would the entire HSA balance be available to the person who incurred the major medical expense?**

**A:** The entire HSA balance is eligible for use, for eligible expenses incurred by

- primary participant
- spouse
- dependents (for tax purposes) under age 19 or under 24 if student.

**Q: What happens if I have a family status change (a qualified “life event” such as marriage, divorce or birth of a child) during the year?**

**A:** If your coverage changes from “individual” to “family” coverage, you will receive an additional employer contribution to your HSA up to the family contribution amount (please see the *Summary of Benefits and Coverage* for specific plan information). You may also be able to increase your personal contributions, up to the IRS family limit\*. If your coverage changes from “family” to “individual” coverage, you will not see any change to your employer contribution. Your maximum total contributions may be lower\*.

*\*Please contact your tax advisor for advice on how changing coverage mid-year may influence your annual HSA contribution limit, as set by the IRS.*

## **LEAVING THE PLAN (INCLUDING TRANSFERS AND RETIREMENT)**

**Q: If I am no longer in a qualified HDHP through HealthFlex, what happens to my HSA?**

**A:** If you are no longer enrolled in a qualified HDHP, you are not eligible to make or receive additional contributions to your HSA. However, your HSA balance will remain available for you to use until it is exhausted. This applies to the following scenarios:

- Termination from HealthFlex or plan sponsor
- Selection of another non-HDHP HealthFlex plan
- Plan Sponsor no longer offers HealthFlex or HDHP
- Reappointment to a conference that does not offer HealthFlex or HDHP
- Retirement, even if your plan sponsor does not offer retiree coverage through HealthFlex/OneExchange

**Q: If I retire (and leave the HDHP) but my dependents remain covered in the HDHP, what happens to any accumulated HSA fund balance?**

**A:** Both you and your covered dependents may use the accumulated fund balance available at the time you retire. Additional funds may be contributed to the HSA by your plan sponsor after you retire if you still have dependents in a qualified HDHP. These funds would also be available to you and your covered dependents.

**Q: If my dependents remain in the HDHP after my retirement, will new debit cards (WageWorks Healthcare Cards) need to be issued?**

**A:** No. The debit cards will accommodate the change in coverage.

## BECOMING MORE INVOLVED AS A HEALTH CARE CONSUMER

**Q: How can an HDHP truly “change health behavior”?**

**A:** The goal of an HDHP is to introduce “consumerism” to health care decision-making. Consumerism advocates participants’ involvement in their own health care decisions. Consumerism engages you as a plan participant to take a more active role in choosing your health care providers, managing your health expenses and improving your health with respect to factors that you can control. Consumerism also encourages you to take charge of your health by maintaining wellness, practicing prevention and learning all you can about the health care system that serves you. The learning is facilitated by HealthFlex HDHP consumer education tools that allow you to research providers (e.g., hospitals and doctors) of all types with regard to cost, efficacy, quality and availability prior to “purchasing” the service. Consumer education tools—including Web-based tools—are available through Blue Cross and Blue Shield of Illinois, UnitedHealthcare, OptumRx (formerly Catamaran) and WebMD. Find them at [www.gbophb.org](http://www.gbophb.org); select “HealthFlex/WebMD” and log in.

**Q: In trying to be a better health care “consumer,” will I be expected to avoid or forgo care that I probably should be getting? If so, will the result to my health be worse in the long run?**

**A:** No. While that is a concern, the design of the HDHP should actually encourage you to seek out the care you need, knowing you are protected for catastrophic medical costs by your out-of-pocket maximum. The HDHPs provide 100% coverage for wellness exams when in-network providers are used. Always seek the appropriate level of care for you or your family’s medical needs. In addition, you can use HSA funds to offset all or a portion of the costs you incur.

**Q: Will I be required to do anything different as an HDHP participant?**

**A:** You will not need to do anything different to have your claims covered by HealthFlex. However, how you decide to use or access care will change significantly—you will now control how your HSA dollars are spent or whether you contribute to your HSA for long-term savings for medical expenses. The design of the HDHP is intended to motivate you as a health care consumer to take a more active role in making decisions that can maintain or improve your health.

If your plan sponsor offers the HDHP in addition to another health plan, you will have the opportunity to choose either the HDHP or the other plan(s) during the Annual Election period in November. You will choose your plan online. If you do not indicate a preference, you will automatically be enrolled in the plan option that your plan sponsor has designated as the “default” plan.

### Helpful Acronyms

CDHP	Consumer-driven health plan (usually high-deductible health coverage)
FSA	Flexible spending account
HDHP	High-deductible health plan (a specific type of CDHP that is defined by the tax code and is required for HSA eligibility)
HRA	Health reimbursement arrangement (health reimbursement account)
HSA	Health savings account
MRA	Medical reimbursement account (a medical FSA under HealthFlex; also called “health care FSA”)
PPO	Preferred provider organization

**Disclaimer:** Information regarding the HDHP is provided as a general information and educational service to HealthFlex participants. This information does not constitute legal, tax or consumer advice. Readers may wish to consult with a tax advisor, legal counsel or other professional advisor before acting on any information contained within this document. The General Board of Pension and Health Benefits expressly disclaims all liability with respect to actions taken or not taken based on the information provide herein.

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