



# KPBSD – HSA Overview September 2019

Kenai Peninsula Borough School District



**MARSH & McLENNAN**  
AGENCY

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# CONSUMER DRIVEN HEALTH PLANS



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# What is a Consumer Driven Health Plan (CDHP)?

- **A CDHP** combines a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) or an Health Reimbursement Arrangement (HRA)
- CDHPs are intended to:
  - Improve the consumer's health care choices
  - Offer consumers incentive to exercise greater control over health care purchases
  - Help consumers become educated when it's time to spend money on health care services
- **Definition of HDHP:** A PPO Plan with a high deductible. Contribution and maximum out-of-pocket limits are set by the IRS
- **Definition of HSA:** A tax-favored savings account available to participants enrolled in a HDHP. Funds contributed to the account can be used to pay for current and future qualified health care expenses



# HDHP/HSA vs. Traditional PPO Plan

## SIMILARITIES

- Plans use the same network of doctors, specialists and hospitals
- Once the plan deductible has been met, you will receive a higher level of benefit by receiving services from in-network providers

## DIFFERENCES

- The IRS does not allow “First Dollar” coverage. For example, this means that the medical deductible must be satisfied before a Rx copayment would apply.
- Monthly premiums are usually higher on a Traditional PPO
- Only the HDHP allows you to use HSA funds to pay for current and future qualified health care expenses
- **The deductible for a HDHP applies to all services except Preventive Services and Preventive Generic Rx**
- **The family deductible for a HDHP/HSA is an aggregate deductible, meaning if you cover a spouse or child(ren), you must meet the family deductible before your plan benefits kick in**



# HEALTH SAVINGS ACCOUNT (HSA)



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# HSA Eligibility

## **FOR YOU (THE EMPLOYEE) TO BE ELIGIBLE TO OPEN AN HSA, YOU MUST:**

- Be enrolled in a qualified high deductible health plan (HDHP)
- **NOT** be enrolled in a non-HDHP including a spouse's plan, Medicare, Tricare or prescription drug only plan
- **NOT** be claimed as a dependent on another individual's tax return, other than your spouse's
- **NOT** have received any health benefits from the Veterans Administration or one of their facilities, including prescription drugs, in the last three months
- **NOT** have received any health benefits through the Indian Health Services in the last three months
- **NOT** be enrolled in a General Purpose Health Flexible Spending Account (Health FSA).

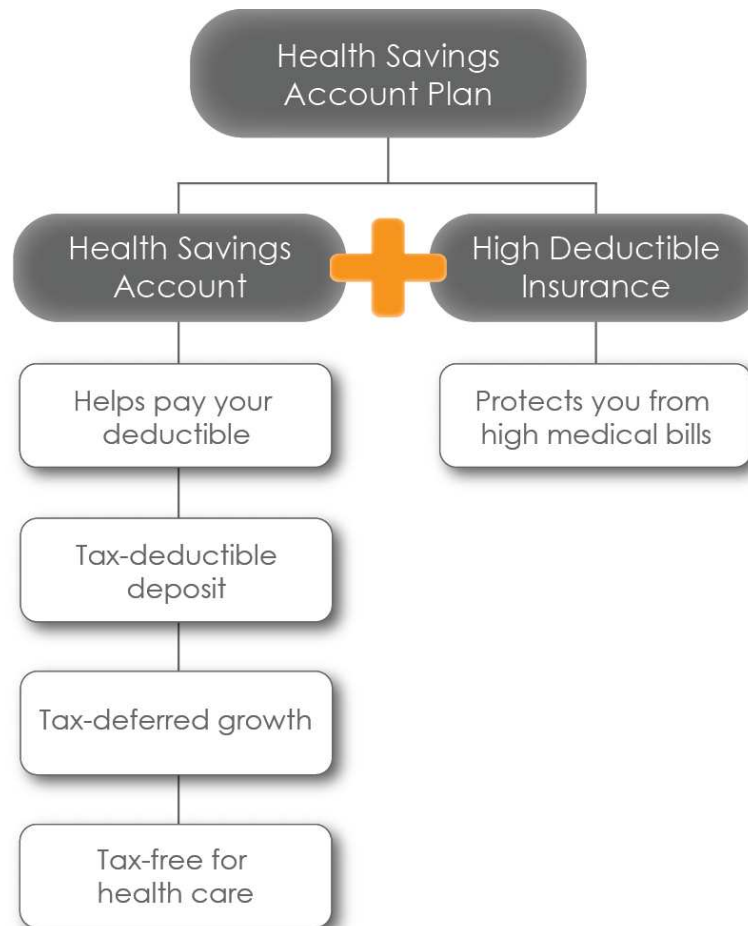
**YOUR QUALIFIED DEPENDENTS MAY ALSO USE THE HSA FUNDS, EVEN IF THEY ARE NOT COVERED UNDER A HDHP**



# Key Features of a Health Savings Account (HSA)

## For Federal IRS tax purposes:

- Employee contributions are made with **pre-tax dollars** and employer contributions are tax-free
- Distributions for qualified expenses are tax-free (**20% penalty for non-qualified expenses plus income taxes**)
- Balances **roll over year-to-year**
- **You own your account** and it goes with you if you change jobs, health plans or retire
- **Earnings grow tax-free** for federal tax purposes
- **Withdrawals after age 65** are only subject to income taxes
- Grow your funds in **interest bearing** accounts



# HSA Contribution Limits

## 2019 Calendar Year Maximum Contribution

Annual Contribution Limit for Employee Only	<b>\$3,500 (\$3,550 in 2020)</b>
Annual Contribution Limit for Family	<b>\$7,000 (\$7,100 in 2020)</b>
Additional “catch-up” if 55 or older	<b>\$1,000</b>

- **You are eligible for the contribution when you enroll in the HDHP and are eligible for the HSA**





# HSA – Deductible and Out-of-Pocket Limits

## 2019 Calendar Minimum Deductibles

Annual Contribution Limit for Employee Only	<b>\$1,350 (\$1,400 in 2020)</b>
Annual Contribution Limit for Family	<b>\$2,700 (\$2,800 in 2020)</b>

## 2019 Calendar Maximum Out-of-Pocket Limits

Annual Contribution Limit for Employee Only	<b>\$6,750 (\$6,900 in 2020)</b>
Annual Contribution Limit for Family	<b>\$13,500 (\$13,800 in 2020)</b>



# HSA Tax Savings Example

Without HSA	
Gross Earnings	\$50,000
Taxable Income	\$50,000
Payroll Taxes (25%)	-\$12,500
Net Income	\$37,500
Medical Expenses	-\$2,000
Take Home Pay	\$35,500

With HSA	
Gross Earnings	\$50,000
Medical Expenses	-\$2,000
Taxable Income	\$48,000
Payroll Taxes (25%)	-\$12,000
Net Income	\$36,000
Take Home Pay	\$36,000


**Annual Tax Saving with an HSA is \$500**



# Using Your HSA

- **Pay upfront at your provider and get reimbursed**
  - **By direct deposit or check**
  - **Alternatively utilize a HSA debit card to pay provider directly from HSA funds**
  - **Tax-free**
  - **There's no time limit for reimbursement**
- **Remember that your HSA is IRS regulated. IRS Publication 502 provides the detailed list for medical, dental and vision expenses. Examples of eligible expenses:**
  - **Acupuncture**
  - **Chiropractor**
  - **Hospital Services**
  - **Diagnostic Fees**
  - **Ambulance**
  - **Eyeglasses**
  - **Contact Lenses**
  - **Lasik Surgery**





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