

CARES Benefits 101

VOLUME 1, ISSUE 4

FALL 2010

SPECIAL POINTS OF INTEREST:

- The HDHP coverage has higher annual deductibles, but you will pay lower employee contributions.
- If you elect HDHP medical coverage, participating in an HSA may enable you to receive tax free reimbursements for eligible medical expenses that apply against your HDHP deductible.
- Once you reach age 65 or over and enroll in Medicare Part A or B, you cannot continue to make contributions to an HSA; however, you can still make withdrawals.
- If you choose an HDHP this year, you may elect different coverage during any subsequent open enrollment or if you have a qualified work or family status change.
- You may choose to open an HSA or select a FSA, but IRS regulations will not allow you to use both.

HDHP AND HSA Q & A

Q. Is the High Deductible Health Plan (HDHP) right for me?

A. Only you can decide. However, it is important to understand— if you choose this coverage option— the plan will pay no benefits other than for preventive services until you meet the annual deductible of \$2400 for individual or \$4800 for family coverage.

Q. If I choose HDHP coverage, do I have to participate in a Health Savings Account (HSA)?

A. No. The decision to participate in an HSA is completely up to you.

Q. Why would I want to consider HDHP coverage?

A. Because this coverage has higher annual deductibles you will pay lower employee contributions. Also, by choosing HDHP coverage, you may participate in a Health Savings Account.

Q. If I choose the High Deductible Health Plan now, will I be able to elect coverage under a different medical option in the future?

A. Yes. You may change your election during any subsequent annual enrollment. If you experience a qualified work or family status change you will be able to elect, change or waive coverage as permitted by IRS and HIPAA regulations.

Q. Is a Health Savings Account (HSA) right for me?

A. That's something only you can decide. However, if you elect HDHP medical coverage, participating in an HSA may enable you to receive tax free reimbursement for eligible medical expenses that apply against your HDHP deductible.

Q. Can I participate in an HSA even if I don't elect HDHP coverage?

A. No. You can participate in an HSA only if you elect coverage under the HDHP.

Q. How much can I contribute to an HSA each year?

A. Each year you can contribute an amount equal to the annual IRS limit under the HDHP (\$3,050 for single coverage/\$6,150 for family coverage). If you are 55 years old or older, you can make an additional catch-up contribution of \$1,000. *IRS regulations govern all HSA accounts and transactions and are subject to change.*

Q. If I want to open an HSA, what should I do?

A. Employees should consult their own tax advisor to determine tax advantages and potential consequences for opening a health savings account and that eligibility requirements are met. You will need to find a bank, financial institution or investment firm that is registered to offer this type of arrangement. You might start by talking with a representative from your local bank. In any case, you should carefully evaluate the services and related fees of any bank, financial institution or investment firm you consider.

Q. Will the investment earnings in my account be tax free?

A. Any earnings on your account may be tax free as long as you use this money to pay qualified medical expenses. If you use them for another type of expense, this money will become taxable income.

Q. What will happen to the money in my HSA if I choose a different medical option in the future?

A. It will remain deferred in your account until you elect to receive it. It is your obligation to report this money to the IRS if you use it for purposes other than a high deductible health plan. *

Q. What will happen to the money in my HSA if I retire or terminate employment?

A. The money in your HSA belongs to you and is portable upon retirement or termination. It will remain deferred in your account until you elect to receive it. *

Q. My wife and I turn 65 this year and will sign up for Medicare. Will we still be able to use the money in our HSA?

A. Yes. Even though you can't contribute to an HSA after you sign up for Medicare, you can keep the account and use the money for medical expenses.

* Please note: Financial institutions may continue to access fees in dormant accounts

"It is important to understand, if you choose the HDHP, the plan will pay no benefits other than for preventive services until you meet the annual deductible of \$2400."