

Broker Tips for High Deductible Health Plans (HDHP), Consumer Driven Health Plans (CDHP) and their use with Health Savings Accounts (HSA).

High Deductible Health Plan (HDHP) policies are often referred to as “Consumer Driven Health Plan” (CDHP) policies, and also as “Catastrophic Coverage” because for these plans, the insured must first pay for their health expenses out of pocket until they reach a larger deductible limit, then benefits begin.

HDHP/CDHP policies were established with higher deductibles and typically no-copayment benefits to help reduce premiums for insureds and for insureds to become more responsible in their use of basic benefits because they would have some “skin in the game”. This is because the insured would have to pay for most or all initial health expenses under the larger deductible before their benefits begin.

Because insureds are paying these initial expenses out of pocket, it is expected that they will do some price shopping for basic health care including choices of physician and the costs of their physician visits along with choices of Rx (generic) and dispensing pharmacies, labs, etc.

Also as an encouragement to select these HDHP policies and because insureds were being required to pay for these expenses out of pocket, the Federal Government created a tax-advantaged account known as a Health Savings Account or HSA for use with certain (not all) HDHP policies that meet Federal Guidelines. These policies are shown as “HSA compatible” by insurers.

HDHP/CDHP policies are typically found within the Bronze metallic tier for Health Coverage, although some may be found in the Silver tier.

Example of Prospects for HSA compatible HDHP coverage:

Based upon an insured’s health, tax basis and income, these plans can be an excellent choice, so all Brokers need to become familiar with their benefits and use.

- 1) Anyone with a higher income in need of deductions.
- 2) Anyone with excellent health, i.e. does not see a physician on a regular basis, does not take Rx on a regular basis or if they do, only takes generic Rx
- 3) Anyone in need of saving premiums

NOTE: An Exception: Anyone that consistently meets their Annual Maximum Out of Pocket Expenses should compare their current plan’s annual premium and maximum out of pocket with a HDHP. Many with these circumstances may benefit by changing to a HDHP because the total of their premiums and incurred maximum out of pocket expenses may be more under their current plan and less under the HDHP.

Important (and basic) HDHP and HSA requirements

- 1) You must first be insured by a HDHP policy that is shown as “HSA Compatible” before you can qualify to open an HSA.
- 2) The HDHP policy is separate from the HSA account (which is optional and not required to be established).
- 3) HDHP Policy premiums are paid to an insurer from the insured’s or business checking account, not their HSA.
- 4) HSA funding is a separate transaction and not part of HDHP premium payment
- 5) HSA accounts must be held at an approved financial institution, such as HSA Bank.

HSA Tax Benefits

There are three key tax benefits to a Health Savings Account (HSA). Money goes into and comes out of an HSA tax-free (as long as funds are used to pay for qualified medical expenses).

1. Contributions to HSAs are not subject to federal income taxes.
2. Earnings to an HSA from interest and investments are tax-free.
3. Distributions from an HSA to pay for qualified medical expenses are tax-free

Note: Insured’s should always consult their tax advisor regarding tax matters, deductibility of their health policy premiums and tax savings created by funding an HSA, we are aware that many independent agents (1099 tax form compensation) do qualify to deduct both their premiums and HSA funding on their tax returns.

IRS-qualified Medical Expenses

You can pay for a wide range of IRS-qualified medical expenses with your HSA, including many that aren't typically covered by health insurance plans. This includes deductibles, co-insurance, prescriptions, dental and vision care, and more. For a complete list of IRS-qualified medical expenses, visit irs.gov or hsabank.com/IRSQualifiedExpenses

Are you eligible to open an HSA?

The main requirement for opening an HSA is having a high-deductible health plan that meets IRS guidelines for the annual deductible and out-of-pocket maximum. To be an eligible individual and qualify for an HSA, you must also meet the following requirements.

- You are not covered by any other non-HDHP health plan, such as a spouse's plan, that provides any benefits covered by your HDHP plan.
- You are not enrolled in Medicare.
- You do not receive health benefits under TRICARE.
- You have not received Veterans Administration (VA) benefits within the past three months.
- You cannot be claimed as a dependent on another person's tax return.
- You are not covered by a general purpose health care flexible spending account (FSA) or health reimbursement account (HRA). Alternative plan designs, such as a limited-purpose FSA or HRA, might be permitted.

Health Savings Account (HSA) – IRS Limits

2016 IRS Limits

	Single Plan	Family Plan
Maximum Contribution Limit	\$3,350	\$6,750
Minimum Deductible	\$1,300	\$2,600
Maximum Out-of-Pocket	\$6,550	\$13,100
Catch-up Contribution (55+)	\$1,000	\$1,000

Does a Health Savings Account (HSA) work with a qualifying health plan purchased on a public or private exchange?

Yes, HSAs are compatible with many health insurance plans offered on public and private exchanges or online marketplaces including healthcare.gov.

When shopping for health insurance on an exchange, you'll see a designation if the health plan is HSA compatible somewhere near the top of the plan listing – often designated as bronze and sometimes silver. A health plan is generally considered compatible with an HSA if the annual deductible is at least \$1,250 for individual coverage and \$2,500 for family coverage. Out-of-pocket costs, to include deductibles and copayments, but not premiums, are limited to \$6,350 for an individual and \$12,700 for a family.

So if you've purchased an HSA-compatible high deductible health plan (HDHP) on a public exchange and you currently own an HSA with HSA Bank, you can keep and fund your account as a way to save and pay for healthcare expenses.

If you qualify for reduced cost sharing*, you may not be eligible to make contributions to an HSA. So if you haven't finalized your purchase and would like to be eligible to make HSA contributions, you may purchase the plan without the cost-sharing reductions in most states excluding California.

Use the links shown below to Study and Review information in the HSA Bank site:

<http://www.hsabank.com/hsabank/education/is-an-hsa-right-for-me>

<http://www.hsabank.com/hsabank/education/frequently-asked-questions>

<http://www.hsabank.com/hsabank/education/product-overview>

