THE BOARD OF PENSIONS
OF THE PRESBYTERIAN CHURCH (U.S.A.)

Questions & Answers

High Deductible Health Plan (HDHP) and Health Savings Account (HSA)

Q1. How does the HDHP work when a member goes to the doctor?

Except preventive care (see Q4), instead of paying a flat $25 (PPO) or $40 (EPO) copay for each primary care office visit, members enrolled in the HDHP are responsible for the entire cost of the visit, and any treatment received, until their out-of-pocket costs reach the annual deductible amount. Members can offset their out–of-pocket costs by using funds in a health savings account (HSA) to pay for eligible healthcare expenses, including the deductible. See Q8 and Q9 for information about the HSA.

In most cases, network providers will submit the claim for payment and wait for it to be processed before billing the member. (Depending on the type of service, the provider may be able to give an estimate of the member's financial responsibility before care is received.) The member can then choose to pay any balance due using available HSA funds, or pay the balance out of pocket allowing the HSA to grow to use for future healthcare expenses.

Q2. How much is the deductible in the HDHP?

The annual deductible for 2019 is $3,000 if enrolled for Member-only coverage and $6,000 for member and any eligible family members. These amounts will be reduced by 25 percent (to $2,250 and $4,500) if the member is enrolled in 2018 medical coverage and completes Call to Health Level 1 (1,000 points including required challenges) by November 16, 2018.

Q3. How does the HDHP deductible work for employees who elect coverage for eligible family members?

The deductible under the HDHP works differently than the PPO and EPO deductibles. Under the HDHP, the entire family deductible must be satisfied before the plan pays benefits for care that is not preventive. There is no individual deductible amount that applies when one or more eligible family members are enrolled. This means that an employee enrolled for Member + Spouse coverage must meet the entire $6,000 family deductible before the HDHP begins to pay for services other than preventive care. The family deductible amount for 2019 can be reduced by 25 percent if the member is enrolled in 2018 medical coverage and completes Call to Health Level 1 (1,000 points including required challenges) by November 16, 2018. In addition, available HSA funds can be used to help pay for the deductible.

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Q4. Are there any expenses that are not subject to the deductible?

Yes. The deductible does not apply to preventive care that is on the plan's Preventive Schedule, which is covered 100 percent, or to the list of specified preventive drugs. Members pay a flat dollar copay, based on whether the drug is a generic or a formulary brand-name when using one of these preventive drugs. The preventive drug list will be posted on pensions.org beginning July 1, 2018.

Q5. Is there a limit to how much members may have to pay out-of-pocket in a year?

The HDHP follows Affordable Care Act (ACA) limits on out-of-pocket expenses (deductibles, copays, and copayments). Each year the ACA sets new out-of-pocket maximum amounts. The maximum amounts for 2019 are $6,750 if enrolled for Member only coverage and $13,500 if covering any eligible family members.

Unlike the HDHP deductible (see Q3), if any one covered family member's expenses reach the Member-only out-of-pocket maximum before the family out-of-pocket maximum is reached, the plan will pay 100 percent of allowable charges for that family member for the rest of the year.

Q6. Which providers are in-network?

The HDHP uses the same national Blue Cross Blue Shield (BCBS) network as the PPO and EPO. The BCBS network is the largest in the country with the deepest discounts and the greatest choice of providers, hospitals, and facilities in all 50 states.

Services from out-of-network providers are not covered.

Q7. What are the prescription drug benefits in the HDHP?

Members pay a copay (a flat dollar amount) for certain preventive prescription drugs, which are not subject to the HDHP deductible. Most other generic and formulary prescription drugs are covered at 70 percent after the member's out-of-pocket expenses reach the annual deductible amount. In other words, after meeting the annual deductible, a member pays 30 percent of the cost, up to a per-prescription maximum, until the annual out-of-pocket maximum is reached (see Q5).

See the 2019 Prescription Drug Benefits — Active Medical Plan (HDHP) overview on pensions.org for the copay and maximum amounts that apply.

Q8. What is a health savings account (HSA)?

A health savings account (HSA) is a tax-advantaged savings account that employees can use to pay for current and future healthcare expenses. To contribute to an HSA, the employee must be enrolled in the HDHP. Generally, employees contribute to an HSA on a pretax basis through payroll deduction. Contributions are exempt from federal income and FICA (Social Security and Medicare) taxes (HSA contributions are also exempt from SECA taxes for ministers of the Word and Sacrament). HSAs feature what is considered a triple tax advantage: contributions are made pretax, any investment growth is tax-free (or tax-deferred), and distributions for eligible healthcare expenses are tax-free.*

*HSAs are never taxed at a federal income tax level when used for qualified healthcare expenses. Most states recognize HSA funds as tax-free. Consult a tax adviser regarding specific state rules.

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Q9. How much money can employees contribute to the HSA?

Eligible employees generally may make HSA contributions through pretax payroll deductions, up to annual limits set by the IRS. The annual contribution limits for 2019 are $3,500 if enrolled for Member-only coverage and $7,000 if covering any family members. Participants who will be age 55 or older during 2019 may make additional catch-up contributions of up to $1,000 for 2019. Employers have the option to make HSA contributions on the employee's behalf. Both the employee's contributions and any made by the employer count toward the IRS limit.

Q10. What are the advantages for employees who enroll in the HDHP?

Advantages to employees of enrolling in the HDHP include

- lower cost of coverage than the PPO and EPO;
- access to a tax-advantaged health savings account (HSA); and
- greater control over their healthcare spending.

Employers may choose to offer HSAs through the Board of Pensions and Further, a leading HSA administrator). HSAs also provide advantages for employees enrolled in the HDHP:

- Unused funds in the account roll over from year to year — allowing the balance to grow over time.
- The HSA earns interest and funds can be invested, for increased tax-free earning potential, when the account balance reaches $1,000.
- HSAs are fully portable (employees can keep the account when changing employers) and can be used in retirement to pay for qualified healthcare expenses, including Medicare premiums (but not subscription charges for the Medicare Supplement Plan offered through the Board).

Q11. Can an employee have both an HSA and a healthcare flexible spending account (FSA)?

Under IRS rules, employees may not contribute to both an HSA and a healthcare FSA unless the FSA is a special type of account called a *limited scope* FSA. The healthcare FSA offered through the Board is not a limited scope FSA.

Q12. What if an employee who enrolls in the HDHP already has an HSA?

If the employer offers the HSA through the new arrangement between the Board of Pensions and Further (a leading HSA administrator), the employee may set up a new HSA with Further. If setting up a new HSA with Further, the employee

- may transfer the balance in the existing HSA to the new HSA with Further and close the existing account;
- contribute to both the existing HSA and the new HSA with Further as long as the total contributed for the year does not exceed IRS limits (see Q9); or
- leave the existing HSA balance with the current HSA custodian and make contributions to only the new HSA with Further going forward. In this case, any funds left in the existing HSA remain available to the employee to use for qualified healthcare expenses.

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