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

The University of South Alabama

UNIVERSITY OF SOUTH ALABAMA

What is a High Deductible Health Plan (HDHP)?

1. High Deductible Health Plans feature higher deductibles; however, the monthly cost for coverage will be lower than the USA Choice Plan and USA Select Plan.
2. Benefits are not paid by the HDHP until the annual deductible is satisfied. This also applies to prescription drugs.
   - Once the deductible is met, the plan pays 80% for providers in the USA Health Network. For all other PPO providers, the plan pays 75%.
3. Under the Affordable Care Act, preventive services are covered at 100% with no copay or deductible.

How does the HDHP work?

Deductible Phase

- You pay 100% of the cost of medical services received until the deductible is satisfied.
- The single deductible is $2,000 and the family deductible is a total of $4,000.
- For those with non-single coverage, you must satisfy the $4,000 deductible either with one member or multiple family member claims before the plan begins paying for medical and pharmacy services.

Coinsurance Phase

- Once the deductible is met, the plan pays 80% for providers in the USA Health Network. For all other PPO providers, the plan pays 75%.
- This is known as coinsurance.

Maximum-Out-of-Pocket Phase

- Out-of-Pocket expenses include the total money you pay during the deductible and coinsurance phases. The Out-of-Pocket maximum is $4,000 (single)/$8,000 (family).
- Once a Single member spends $4,000, the Maximum Out-of-Pocket is satisfied and the Plan pays 100% of the costs of medical services received for the remainder of the calendar year.
- Under the Family contract, one person can meet the $4,000 and all other members can reach the $8,000 together.

Non-Embedded Deductible

Non-Embedded Deductible Example

You, your wife and daughter are on the HDHP plan which has a $2,000 employee only/$4,000 family deductible when using an in-network provider. Your daughter incurs $2,000 in medical expenses. Under this plan, the entire family deductible of $4,000 must be met before your insurance helps pay for any of your medical bills through coinsurance. If your wife has surgery and incurs $2,000 more in medical bills, with both your daughter's and your wife's expenses, your family deductible has now been met and you will enter the coinsurance phase. Medical insurance will pay the applicable coinsurance of 80% or 75% depending on the provider for additional covered medical services.

The Out-of-Pocket Maximum is embedded which means no one person must spend more than the single amount to receive 100% paid by the plan. $4,000/$8,000.

What is a Health Savings Account (HSA)?

- An HSA is a triple tax advantaged savings account.
  - You contribute to your HSA on a pretax basis.
  - You earn tax-free interest and investment dividends.
  - Your qualified withdrawals are also tax-free.
- You can contribute to your HSA only if you are enrolled in the HDHP and meet the eligibility requirements.
- The HSA belongs to **YOU!**
- HSAs function like an FSA, but better. It is TRIPLE tax advantaged, meaning contributions reduce taxable income, interest and investment earnings accumulate tax-free, and distributions for qualified medical expenses are tax-free.
- Unlike an FSA, HSA accounts continue to accumulate year over year with no deadline for taking withdrawals.

What are the current contribution limits?

Coverage Type	2025 Limits	2024 Limits
Self-only	$4,300	$4,150
Family	$8,550	$8,300

Participants ages 55 and older can make an additional annual **$1,000 “catch-up” contribution.**

What is a Limited Purpose FSA (LPFSA)?

If you are enrolled in a HDHP with an HSA, you may also enroll in a Limited Purpose FSA. A Limited Purpose FSA allows you to set aside additional pre-tax dollars to pay for dental and vision expenses. Medical expenses are not eligible for reimbursement under the Limited Purpose FSA.

- You will have access to your full Limited Purpose FSA contribution on January 1, 2025. ***See slide 10 For more information if you currently have a SouthFlex health care FSA.***
- The current maximum yearly Limited Purpose FSA contribution is $3,200. The limits for 2025 have not been released yet.
- Unused Limited Purpose FSA funds do not roll over at the end of the year.
- Once you enroll in the Limited Purpose FSA, contributions cannot be changed unless you have a qualifying life event.

What are examples of eligible Limited Purpose FSA expenses?

- Cleanings
- Fillings
- Crowns
- Orthodontia
- Contact lenses
- Eyeglasses
- Refractions
- Vision correction procedures

Who can contribute to an HSA?

To contribute to an HSA, you must:

- Be covered by a qualified HDHP only.
- You cannot be covered under any other plan that is not a qualified HDHP (including a spouse's plan, individual medical plans purchased on or off the health care exchange, Medicare Part A or Part B, and TriCare).
- You cannot have received VA medical or prescription benefits within the last three months except for a service-connected disability.
- You cannot be enrolled in a Health Care Flexible Spending Account (FSA) at all during the plan year or covered by a spouse's FSA or HRA.
- You cannot be an IRS tax dependent on another person's tax return.
- Dependent Care (daycare) FSA enrollment has no impact on HSA eligibility.

Who can contribute to an HSA continued?

Important information to know about spending accounts:

- If you want to move to the HDHP, you should spend your entire Health Care FSA balance by December 31, 2024, to be eligible to contribute to the HSA.
- If 2024 Health Care FSA funds are not spent down by December 31, 2024, then you will not be eligible to contribute to your HSA until April 1, 2025.
- If you have a remaining 2024 Health Care FSA balance on January 1, 2025, you will have access to these funds through the grace period. The grace period ends on March 15.
- The Limited Purpose FSA can be used only for dental and vision expenses.

How does an HDHP and HSA work together?

Each time you receive a health care service and incur a charge you can:

- Pay at the point of sale with an HSA debit card.
- Make a tax-free withdrawal from your account to cover the costs, or
- Pay out of your own pocket and save your HSA for future eligible expenses – even in retirement!

You can use your HSA funds to pay for various health care expenses, including:

Medical, dental, and vision deductibles and coinsurance amounts	Certain long-term-care insurance premiums	COBRA health coverage premiums	Hearing Aids
Smoking cessation programs	Wheelchairs	Organ Transplant	Certain Medicare premiums for you and/or your spouse

HSA & FSA comparison

	Health Savings Account (HSA)	Health Care Flexible Spending Account (FSA)
Who owns this account?	You.	USA.
Do I need to open and maintain a bank account?	Yes, and you will receive a debit card to access available funds.	No, but you may receive a debit card to access funds.
How is the account funded?	You and USA contribute to the account through pre-tax payroll contributions.	You fund through pre-tax payroll contributions.
What can I pay for using this account?	Eligible medical, dental, prescription, and vision expenses, COBRA and Medicare premiums.	Eligible medical, dental, prescription, and vision expenses.
Are there annual contribution limits?	Yes, for 2025 the limit is $4,300 for single coverage and $8,550 for family coverage. You can contribute an additional $1,000 if you are age 55 and older .	Yes, the contribution limit for the 2024 plan year is $3,050 .
Does this account go with me if I terminate employment?	Yes, this account belongs to you.	No, unless elected through COBRA.
Do my funds roll over each year?	Yes.	No. This account is "use it or lose it". There is a grace period to March 15th of the following year to spend any unused funds.

What is the USA Patriot Act?

Federal law requires financial institutions to obtain information that identifies each person who opens an HSA. This means that when you open an HSA with HealthEquity your identity must be verified before you can begin using the HSA. This information will be provided to HealthEquity by USA.

If HealthEquity is not able to identify your identity (such as if you moved recently and your address is not on file with the appropriate government agency), you may be asked to provide proof of your identity by providing a copy of a utility bill to verify your address. You could also be asked for your SS card, birth certificate, and or drivers license for verification.

What happens If I do not complete the identity verification for the USA Patriot Act?

The HSA will be closed, and any unused funds will be returned to USA.

Contribution sources/ administration rules

- Contributions to the HSA can be made by you, USA, or both.
- Contributions made by the HSA account holder are tax free.
- Contributions can be made by the HSA account holder or anyone else – including an employer or family member.

Catch-up contributions

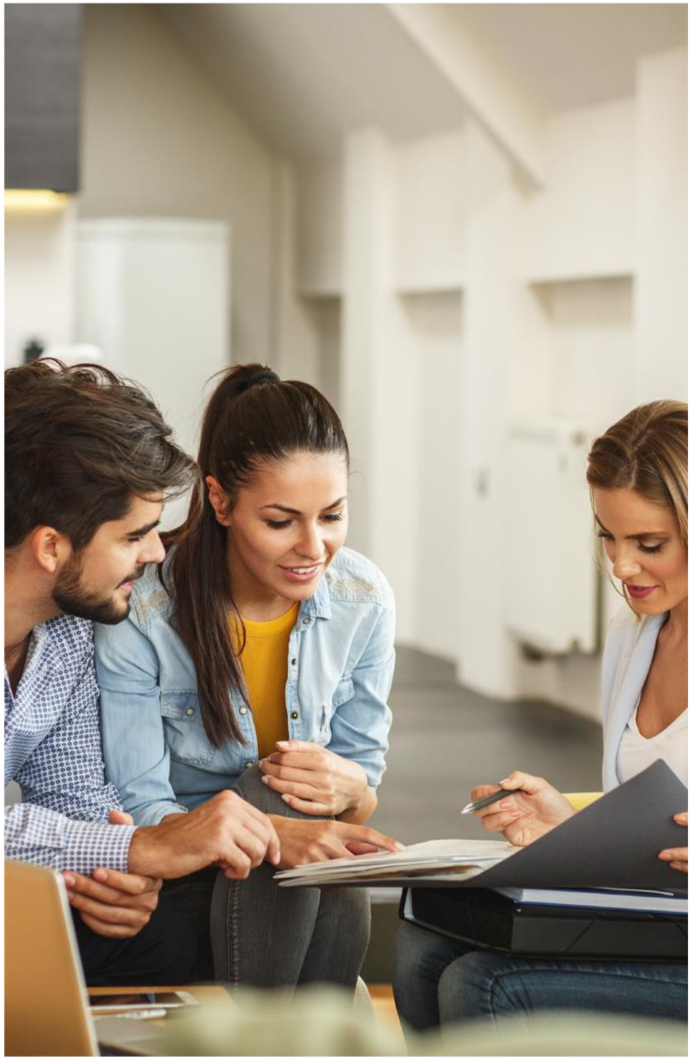
Who Is Eligible?

- Participants age 55 and older by the end of the tax year can make an additional $1,000 catch-up contribution.

How Does It Work?

- The maximum annual contribution is $1,000.
- The catch-up contribution limit is not adjusted for inflation and remains the same each year.
- The contribution limit is not reduced for the year if the person turns 55 years old after January 1.

Are there any special contribution limits for spouses?



If either you or your spouse has family coverage, both you and your spouse are treated as having only that family coverage.

- If both you and your spouse are HSA-eligible, the HSA total family contribution limit is divided between you and your spouse.
- The rule applies even if one spouse has family and other has self-only coverage.
- The rule does not apply to catch-up contributions.

Are there any special contribution limits for spouses?

Example:

In 2024, Tony (age 53) and Barb (age 56) are married, and both have family coverage under separate HDHPs.

Together, they will be able to contribute up to the annual maximum limit for family HDHP coverage ($8,300 for 2024).

They have not made any special agreement about the division of their combined HSA limit.

Consequently, Tony may contribute $4,150 to his HSA (half of the $8,300 contribution limit) and Barb may contribute $5,150 to her HSA (half of the $8,300 limit plus an additional $1,000 catch-up contribution).

HSA's and Medicare coverage

- You are not eligible to make HSA contributions once your Medicare coverage begins. There are some special timing rules regarding the effective date for Medicare. Under these rules, Medicare Part A coverage begins the first of the month in which you turn age 65, provided you file an application for Medicare Part A (or for Social Security or Railroad Retirement Board benefits) within six months of when you becomes age 65. If you file an application more than six months after turning age 65, Medicare Part A coverage will be retroactive for six months.

- If you delay applying for Medicare and are later covered by Medicare retroactively to the month you turned 65 (or six months if later) you cannot make contributions to an HSA for the period of retroactive coverage. In other words, your annual HSA contribution limit is reduced for any months of Medicare coverage, including retroactive Medicare coverage. **To avoid excess contributions, you may need to stop making HSA contributions in advance of when you apply for Medicare coverage.**

Thank you