Learning Objectives

Health Savings Accounts:

Funds in a HSA can be used for tax dependents only on a tax-free basis for qualified medical expenses. The tax dependent does not have to be covered by a HDHP.

HSAs have the triple tax advantage. Funds go in tax free, grow tax free and are tax free when paid out for qualified medical expenses. If they are paid out for non-medical expenses, then they are subject to ordinary income tax and a 20% penalty.

Employer contributions to a HSA are not subject to a vesting schedule or a minimum amount of service. The employer contributions may be made via payroll, in other words, spread over the entire year rather than deposited at the first of the year. The owner of the HSA is entitled to the money in the account at all times. There isn’t any use it or lose it feature. The HSA owner may take the funds with him when he leaves his employer and may roll over the funds in the account to another HSA at any time.

If the HSA owner dies, the HSA becomes the property of the named beneficiary.  If the spouse is the beneficiary, the HSA can continue to be used for qualified medical expenses and the surviving spouse is subject to income tax on HSA distributions not used for qualified medical expenses.

If the HSA passes to a person other than the spouse, the HSA terminates as of the date of death, and the beneficiary is required to include the HSA assets in gross income.  The taxable amount is reduced by any HSA payments for the decedent's qualified medical expenses, if paid within one year after death.

HSAs can be funded via the following subject to the annual contribution limit at any time in the year:

Payroll deduction (pretax) Transfer from IRA Gift from anyone

Employer contributions After-tax via check (to be deducted on tax return)

HSA can also be funded via a rollover from a MSA not subject to the annual contribution limit.

HSA Math 101:

Sum of out-of-pocket (not to exceed out-of-pocket maximum) = Deductible + Coinsurance

You exhaust the deductible first, and then move into coinsurance. After that coverage is 100%

Be aware that many people will include their preventive care in their expenses estimate – be sure to clarify prior to making calculations.

Oftentimes coinsurance amounts, deductibles and out-of-pocket maximums vary based on whether using in or out of network providers. Do not assume in-network, always confirm.

Example:

$2500 deductible

10% coinsurance

$3000 out-of-pocket maximum

$7000 expenses all are in-network and does not include preventive care costs

$7000 expenses -$2500 deductible = $4500 remaining to apply coinsurance

$4500 balance \* 10% coinsurance amount = $450

Sum of out-of-pocket (not to exceed $3000) = deductible ($2500) + coinsurance ($450) = $2950

Health Reimbursement Accounts:

Preventive care must be provided in-network to be covered at 100%. There are guidelines based on age and gender to determine what is considered covered. This can be found at [www.uhcpreventivecare.com](http://www.uhcpreventivecare.com) . Services are considered Preventive Care when a person: does not have symptoms or any studies indicating an abnormality, meets age and gender guidelines, is not receiving treatment for the condition being tested (i.e. not on high cholesterol medication when receiving the cholesterol screening), or does not have test results that require the same test to be repeated sooner than the normal guideline recommendations would require.

HRA are employer funded on the first day of the plan year. If you leave mid-year, the amount contributed is not prorated and you can use the entire account balance prior to leaving. However, once you leave, you cannot access the funds any longer and they return to your employer.

HRA Math 101:

Be aware that many people will include their preventive care in their expenses estimate – be sure to clarify prior to making calculations.

Oftentimes coinsurance amounts, deductibles and out-of-pocket maximums vary based on whether using in or out of network providers. Do not assume in-network, always confirm.

Out-of-pocket (not exceed OOP max) = (Deductible – HRA balance) + Coinsurance

You exhaust the HRA first then finish the deductible and then move into coinsurance before 100% coverage.

$2500 deductible

$1500 Employer HRA contribution

$20% coinsurance

$3000 out-of-pocket maximum

$10,000 expenses all are in-network and does not include preventive care costs

$10,000 expenses - $2500 deductible = $7500 remaining to apply coinsurance

$7500 balance \* 20% coinsurance amount = $1500

Sum of OOP (not to exceed $3000) = ($2500 deductible - $1500 HRA) + $1500 coinsurance = $2500 OOP

Dental Plan:

The DHMO plan requires you to designate a primary provider from within the UHC network. In order to see a specialist, you will need to get a referral from the primary provider.

Vision Plan:

Plans are expressed with three numbers such as 12/24/24 which indicates the number of months you must wait between claims for each of the three types of coverages. The first number is for exams, the second is for lenses and the third is for frames. Usually there is a copayment that must be paid first. There is normally a frame allowance and then a DISCOUNT on anything above that amount.

Vision Math 101:

First, make sure that the employee is eligible for coverage based on the three numbers.

$25 copay

$150 frame allowance

$280 cost of selected frames

20% discount on additional services

Out-of-pocket = copay + ((frame cost – frame allowance) \* (100% - discount on services))

$280 frame cost - $150 frame allowance = $130 additional costs

100% - 20% discount = 80% to be paid

$130 additional costs \* 80% = $104

Out of pocket = $25 copay + $104 frames after discount and allowance = $129 out-of-pocket

Limited Purpose FSA:

This is a savings option that may be offered at some employers for employees who are enrolled in a HSA. Works the same way as a standard FSA in that it is “use it or lose it”. The difference is that you can only submit claims for eligible vision and dental expenses, not medical.

Disease Management:

This is a program which offers help and resources for employees with chronic diseases such as heart failure, coronary artery disease, asthma, diabetes, and chronic obstructive pulmonary disease.

myHealthcare Cost Estimator:

This online tool provides estimates based on available fee schedules or contracted rates and when fee schedules/contracted rates are not available, estimates are based on claims averages for the particular provider. myHealthcare Cost Estimator is available to UnitedHealthcare members at no additional cost. When you are able to get information based on your individual plan, you'll have the knowledge to better understand your choices and be in greater control of your health care.