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## Frequently Asked Questions for the PPO \$aver Plan with a Health Savings Account (HSA)

To help you better understand the PPO \$aver Plan, we've developed this list of questions and answers. They are designed to help you decide if this option is right for you, and to help you use your benefits wisely if you choose the PPO \$aver as your medical plan.

### Enrolling for Coverage

**1. Q: Do I have to enroll in the PPO \$aver Plan?**

**A:** No, the PPO \$aver plan is offered along with your current District medical plans. You are not required to enroll in the PPO \$aver Plan.

**2. Q: What happens if I don't enroll in a medical plan during Open Enrollment?**

**A:** Your current medical plan election will continue for 2016.

### Understanding the PPO \$aver Plan

**3. Q: What is the PPO \$aver Plan?**

**A:** The PPO \$aver Plan is a Consumer Directed Health Plan (CDHP). This gives you, the health care consumer, greater control over and responsibility for how you spend health care dollars, encouraging you to carefully budget and shop for care. Under the PPO \$aver, your annual deductible is higher than under the Blue Shield PPO Plan. However, the District contributes money to a Health Savings Account (HSA) to help you meet the deductible and pay other out-of-pocket costs. You can choose to add your own pre-tax dollars to the HSA to further build up your account, which is yours to keep even into retirement.

**4. Q: How does the PPO \$aver Plan differ from the Blue Shield PPO Plan?**

**A:** The PPO \$aver differs from the Blue Shield PPO Plan in a few key ways. In addition to offering the Health Savings Account, the deductible and out-of-pocket maximum work differently than under the Blue Shield PPO Plan.

**The deductible:**

- The PPO \$aver has a higher deductible than the Blue Shield PPO Plan. However, you can use your HSA to offset the higher deductible. For 2016, the District will contribute \$500 for employee-only coverage and \$1,000 for employee + 1 or more coverage in the HSA to use toward the deductible and other medical and prescription drug expenses. You can also make your own pre-tax contributions to the HSA.
- Under the PPO \$aver Plan, the deductible applies to the out-of-pocket maximum.
- The deductible works differently than that of the Blue Shield PPO. If you have any coverage level besides employee only, (employee + 1 or more coverage), you must meet the entire family deductible before the plan begins paying benefits. One family member, or a combination of family members, can incur expenses that add up to the family deductible.

These Frequently Asked Questions describe certain benefit plans as they apply to eligible employees. Complete details about the plans are in the legal plan documents. If there is any difference between the information provided in these FAQs and provisions of the legal plan documents, the plan documents govern. The District reserves the right to terminate, suspend, withdraw, amend, or modify any of the plans at any time for any reason.

This is different from the Blue Shield PPO, where an individual with family coverage can meet the individual deductible and begin receiving benefits.

- Prescription drugs (both retail and mail order) are subject to the deductible. You must meet the annual deductible before the PPO \$aver Plan begins paying benefits.

**The out-of-pocket maximum:**

- As with the deductible, if you have any coverage level besides employee only (employee + 1 or more coverage), you must meet the entire family out-of-pocket maximum before the plan pays 100% for covered medical and prescription drug expenses. This is different from the Blue Shield PPO, where an individual with employee + 1 or more coverage can meet the individual out-of-pocket maximum and the plan begins to pay 100% for covered medical expenses for that individual.
- Prescription drugs (both retail and mail order) are subject to the out-of-pocket maximum, which means the PPO \$aver Plan will cover prescription drugs at 100% after you reach the out-of-pocket maximum.

**5. Q: Why do people choose a plan like the PPO \$aver?**

A: There are many reasons why people choose to participate in a plan like the PPO \$aver:

- **More Control** — The PPO \$aver encourages you to take more control over how you spend your health care dollars. It's the only option with an HSA that you can use to pay for eligible expenses. The District will deposit money in your HSA, and you can contribute, too.
- **Tax Savings** — This type of plan lets you build up an HSA with triple tax advantages.
  - **Tax-free contributions** — You can make contributions to your HSA on a pre-tax basis to supplement the District's contributions. Doing so lowers your taxable income, plus the District's contributions are tax free also. HSAs are tax free under federal law. However, if you live in Alabama, California, or New Jersey, your contributions will not reduce your state taxable wages. After your initial contributions are taxed, your initial HSA funds will not be taxed again, although your earnings will be subject to state taxes, and there is a penalty for withdrawals other than for eligible medical expenses unless you are age 65 or older. If you live in Alabama, contributions made through payroll and company contributions are not taxed, but contributions made outside of payroll and any earnings are subject to state taxes.
  - **Tax-free earnings on accumulated funds** — Your HSA grows tax free. Any interest or investment earnings on your account are not taxed.
  - **Tax-free distributions for qualified expenses** — You do not pay taxes on any money you withdraw, provided you spend that money on eligible medical expenses (including paying for medical expenses in retirement). You can also use the money for other purposes, though the money will be taxed if used for anything other than qualified health care expenses. There is a 20% tax penalty on funds you withdraw for non-health purposes before you reach age 65. (Note: Some states may tax money in an HSA, though most do not.)

- **A Way to Save for Medical Expenses in Retirement** — Not only does the HSA allow you to save money on taxes, it provides a vehicle for you to accumulate an account balance for future medical expenses. You can use it to pay Medicare premiums and other eligible medical expenses even after you leave the District or retire.
- **Portability** — You can take the money in your account with you if you leave the District for any reason, including retirement. And you can leave the money in the account as well. You own the account, not the District.

**6. Q: How can I get the most value out of the PPO \$aver Plan?**

A: You can get the most value from the PPO \$aver by actively managing your health care.

- **Know the plan and know how you use health care.** Knowing how your plan works and keeping track of how much you've paid each plan year are the first steps in knowing how to use your plan well.
- **Use preventive care.** Take advantage of 100% in-network preventive care coverage so you can stay healthy and detect problems before they become serious.
- **Lead a healthy lifestyle.** Not only will you feel better, but you may end up spending less on health care — less of your own money and less of the District's — and saving more of your HSA for future needs.
- **Know the costs and look for appropriate alternatives.** Taking financial responsibility is another important part of using the plan. You can save yourself a lot of money by evaluating your options for local, in-network rates and by budgeting your expenses so you can set aside enough money in your HSA.
  - Talk to your doctor about using generic drugs: for example, if you have seasonal allergies, using a store brand of Claritin or Zyrtec or an over-the-counter version will cost far less than a prescription medication.
  - Consider using an urgent care center rather than an emergency room, or a convenience clinic rather than your physician's office when the need arises.

## **Understanding the Health Savings Account**

**7. Q: What is an HSA?**

A: A Health Savings Account (HSA) is like a 401(k) for healthcare. Combined with The PPO \$aver health plan, an HSA gives you an easy, safe way to lower your healthcare costs today while saving money for future healthcare expenses. Health Savings Account (HSA) is a special account owned by an individual to pay current and future eligible health care expenses. Here are some key features:

- An HSA is a tax-savings vehicle that lets you set aside tax-advantaged money to pay for eligible health care expenses, now and in the future. You decide which expenses to pay from your HSA.
- The District automatically activates your HSA when you enroll for the PPO \$aver Plan. The District will also contribute \$500 into your Health Savings Account if you elect employee-only coverage or \$1,000 if you elect employee + 1 or more coverage. 50% of this amount

is contributed in January 2016, and the remaining 50% is contributed on the first day of school in September.

- You can also elect to put your own pre-tax dollars aside to use for eligible health care expenses.
- Funds in your HSA earn tax-free interest.
- Once your balance reaches \$1,000, you can choose to invest your account balance in a selection of mutual funds.
- If you don't use the money in your account, you can maintain your account for years to come. (Your balance rolls over from year to year).
- If you leave the District or retire, you can take the money with you; you own the account.
- In retirement, you can also use your HSA to pay premiums for Medicare Parts B and D and long-term care insurance.
- Even if you change medical options in the future, you can still use the money in your HSA. However, you may only contribute to an HSA while you are enrolled in any qualified high deductible health plan.

**8. Q: Who qualifies for an HSA?**

A: You may participate in an HSA if you:

- Enroll in the PPO \$aver Plan
- Are not covered by other health insurance that is not a high deductible health plan (does not apply to specific injury insurance and accident, disability, dental care, vision care, and long-term care)
- Are not claimed as a dependent on someone else's tax return (e.g., you are a dependent domestic partner)
- Are not enrolled in Medicare.

Provided you meet all these qualifications, the District will automatically open your HSA.

**9: Q: How much does the District contribute to my account?**

A: The District will contribute \$500 into your Health Savings Account if you elect employee-only coverage or \$1,000 if you elect employee + 1 or more coverage. 50% of this amount is contributed in January 2016, and the remaining 50% is contributed on the first day of school in September.

**10: Q: How do I contribute to my HSA?**

A: The PPO \$aver allows you to save money in your HSA throughout the year. You decide on the amount to contribute, and you may change it at any time. Your election amount will be taken out of each paycheck. Your HSA contributions will be taken out before taxes are calculated, so you'll end up saving additional money in taxes. You are not required to contribute to an HSA under the plan, though most people choose to contribute because of the tax advantages. Unlike flexible spending accounts, money you put into an HSA isn't "lost" at the end of the year if you don't use it, so your HSA can build value from one year to the next.

**11: Q: How do I start or change my own pre-tax HSA contributions?**

A: You can start or change your HSA contributions at any time by contacting Ceridian at (855) 774-7441 or [www.wageworks.com](http://www.wageworks.com).

**12: Q: When can I start using the funds in my HSA?**

A: Once the money you and the District contribute goes into your HSA, it is yours to spend or save as you wish. *Note that you will only have access to the balance currently available in your account.*

**13: Q: Can I contribute to an HSA if I am currently enrolled in a Health Care FSA?**

A: The combination of a Healthcare Flexible Spending Account (FSA) and a Health Savings Account (HSA) is a great way to maximize your savings this year and in the future. But there are rules guiding your participation in both accounts.

- Are enrolled in The PPO \$aver health plan
- Enroll in a HSA-Compatible FSA, which limits your eligible expenses under your Healthcare FSA to dental and vision expenses only
- Save an average of 30% on this year's eligible out-of-pocket dental and vision expenses while using your HSA to save for future healthcare expenses
- Use a single smart payment card to access funds in both accounts

**14: Q: What medical expenses can be paid with money in my HSA?**

A: Funds in your HSA can be used to pay for a wide variety of medical, prescription drug, dental, and vision expenses, including:

- **Fees** such as deductibles, copays, coinsurance, and charges that exceed recognized charge limits
- **Services** such as chiropractor visits, laser eye surgery, physical therapy, and mental health care
- **Products** such as contact lens solutions, hearing aids, wheelchairs, and prescribed drugs and medications

For a complete list of services that can be paid for with your HSA funds, you can contact Ceridian at (855) 774-7441 or [www.wageworks.com](http://www.wageworks.com)

**15: Q: Can I use an HSA to pay for over-the-counter (OTC) medications?**

A: You will need a doctor's prescription to use HSA funds for eligible over-the-counter medications. You will not need a prescription to use your HSA for other eligible OTC items, such as contact lens solution and bandages.

**16: Q: What are the rules for using money in my HSA?**

A: You may use money in your HSA to pay for eligible health care expenses, to meet your deductible or pay for coinsurance for you, your spouse, and eligible tax dependents. There

are several ways you can withdraw money from your HSA for eligible health care expenses:

- Use your HSA debit card
- Submit a request online
- Submit a request via mail or fax

Whenever you use the Debit Card, you should keep copies of all receipts in the event you are audited by the IRS. Remember, if you withdraw money for non-health-related expenses, you will pay taxes on this money, and you will incur a 20% tax penalty.

**17: Q: What Is the HSA Debit Card?**

A: All employees who enroll in the PPO \$saver plan, will be issued a Debit Card that is directly linked to your HSA. You may use the debit card to access the funds in your HSA and pay for medical costs such as co pays, coinsurance and deductibles.

**18: Q: Is there a maximum I can contribute to my HSA?**

A: Just like with other before-tax plans, the IRS puts a cap on the total amount of money that can be contributed to an HSA each year. This includes your contributions as well as the District’s contribution. As specified by the IRS, in 2016 you can contribute a maximum of \$3,350 for an individual coverage and \$6,750 for a family coverage. Individuals who will be age 55 or older at the end of the 2016 calendar year can contribute an additional \$1,000 as a “catch-up” contribution.

The table below represents the maximum amount you can contribute to your HSA in 2016 under the PPO \$saver, taking into account the District’s contribution.

<b>PPO \$saver Coverage Level</b>	<b>2016 HSA Limit</b>	<b>The District’s Contribution</b>	<b>You Can Contribute up to</b>
Employee Only	\$3,350	\$500	\$2,850
Employee + 1 or more	\$6,750	\$1,000	\$5,750

**19: Q: Are HSA dollars taxable?**

A: HSAs are tax free under federal law. However, if you live in Alabama, California, or New Jersey, your contributions will not reduce your state taxable wages. After your initial contributions are taxed, your initial HSA funds will not be taxed again, although your earnings will be subject to state taxes, and there is a penalty for withdrawals other than for eligible medical expenses unless you are age 65 or older.

**20: Q: Can the money put in the HSA be used toward my deductible and coinsurance?**

A: Yes, any covered out-of-pocket expenses you incur are eligible to be paid using the funds in your HSA.

**21: Q: Can I use the money in my account for non-medical expenses?**

A: Money that is taken out for expenses, other than qualified medical expenses as defined by the IRS, will normally be subject to income tax, and you will be assessed a 20% tax penalty. However, if you are age 65 or older or disabled, the 20% tax penalty will not apply.

**22: Q: What investment options will be available with my HSA?**

A: The great thing about having an HSA is the flexibility it gives you to either save or spend as the situation demands.

You control how your money is used through the “Save It – Spend It” option in the Program Details accessed through the Dashboard.

- If you select “Spend It” then your funds will be readily available for you to spend on eligible expenses (for your convenience, this is the default setting).
- If you select “Save It”, the funds in your HSA will not be available on the Card, for Pay Me Back claims or for Pay Me reimbursement requests.

If you are interested in saving for the future, then you probably will want to place some or all of your HSA funds into an investment account. When placed in the investment account, your funds will earn interest, and can be invested in a choice of mutual funds. If at any time you need to transfer funds back into the HSA account to spend on eligible expenses, you may do so at your convenience.

**23: Q: What happens to money in my account if I stay with the District but switch to a medical plan without an HSA?**

A: You will not lose any accumulated funds in your account, since you own the HSA. However, if you switch to a medical plan without an HSA, you will be unable to make additional HSA contributions. You will be able to use your current HSA funds for qualified medical expenses for you and your tax dependents.

**24: Q: What happens to my HSA if my account balance goes to \$0?**

A: There are no penalties if your HSA balance goes to \$0. You will simply pay out of pocket for any costs you incur under the plan. No funds will be deducted from your HSA. However, if you write a check that is returned for non-sufficient funds, you will incur a fee. For more information about fees, contact Ceridian at (855) 774-7441 or [www.wageworks.com](http://www.wageworks.com).

Remember, you can change your HSA contributions at any time throughout the year. If you would like to contribute additional money into your HSA midyear, or stop contributions, contact Wage Works at (855) 774-7441 or [www.wageworks.com](http://www.wageworks.com).