Williamson CSD
Signature High Deductible Health Plan
&
Health Savings Accounts (HSA)
Questions and Answers

High Deductible Health Plan

Q: Can I be covered by 2 health insurance plans at the same time?

A: Yes, with one as primary and one as secondary. However, both health plans must qualify as HSA-eligible High Deductible Health Plans (HDHPs) in order for you to contribute to an HSA. If either plan is not a HDHP, then you cannot contribute to an HSA.

If the employee is enrolled in the HDHP and HSA, they cannot be enrolled in another medical insurance plan that is not a HDHP (i.e., that would pay their medical expenses before the minimum HDHP deductible has been paid by the employee out of pocket). However, they can still be an eligible individual even if their spouse has non-HDHP coverage provided the employee is not covered by that plan.

An employee and spouse may both have an HSA if they both have high deductible health insurance coverage. An individual may contribute to more than one HSA for themselves. However, the total contribution of all HSA contributions for both spouses may not exceed the annual limit ($3,600/single and $7,200/family in 2021).

Q: Can I be covered by 2 HSAs at the same time?

A: Yes. An individual may contribute to more than one HSA for themselves. However, the total of all HSA contributions for all HSAs combined may not exceed the annual contribution limits described below.

If you are married, then you and your spouse may both have an HSA if you both have HDHP insurance coverage, and you may pay for each other's qualifying medical expenses out of either HSA. If you each have single HDHP coverage, then you are each limited to the annual contribution limit for single coverage described below. If either or both of you have family HDHP coverage (or any other level higher than single coverage), then the total of all HSA contributions for both spouses combined cannot exceed the family annual contribution limit described below. There is an additional catch-up contribution allowed for those age 55 and over by the end of the year, but each spouse can only make catch-up contributions to his or her own HSA.

Q: During the deductible and co-insurance phases, do I pay the provider's "full" price, or the lower Excellus negotiated fee?

A: The lower rate that Excellus has negotiated.

Q: How much would I pay for a prescription drug during the deductible phase?

A: The Excellus negotiated cost of the drug will be paid during the deductible phase. It is recommended to call various pharmacies, Walgreens, Rite Aid, Wegmans etc. to price compare the cost of your Rx. Prices will vary by retail store. Ask for the price of the Excellus allowed/negotiated amount of the drug.

Q: How can I find out the total actual costs of prescriptions I have already filled?

A: Call Excellus customer service at 1-800-499-1275 to ask, or log in as a member at:
https://www.excellusbcbs.com/wps/portal/xl/member-login/
Then click on "View Your Benefits and Claims"
The click on "Prescription Drug Claims"
Then click on "Prescriptions Report"

Q: Do amounts paid towards prescription drugs count towards the deductible or towards the out-of-pocket maximum?

A: Yes and yes.

If tax advice is required, you should seek the services of a professional.

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Q: Where can I find out the Tier classifications for specific prescription drugs?
A: Call Excellus customer service at 1-800-499-1275 to ask about specific drug tiers, or ask them to mail you a drug formulary. You can also login to Excellusbcbs.com and check the formulary online.

Q: How much would I pay for an Excellus qualified preventive prescription drug?
A: $0 per prescription for drugs required to be covered a preventive care under the Affordable Care Act
$5 per prescription for tier 1 drug (generics)
$35 per prescription for tier 2 drug (preferred brands)
$70 per prescription for tier 3 drug (non-preferred brands)

Q: How much would I pay for a prescription drug during the co-insurance phase?
A: $0 per prescription for drugs required to be covered a preventive care under the Affordable Care Act
$5 per prescription for tier 1 drug (generics)
$35 per prescription for tier 2 drug (preferred brands)
$70 per prescription for tier 3 drug (non-preferred brands)

Q: How much would I pay for a prescription drug if I had already reached my in network $3,000/single or $6,000/family out-of-pocket maximum for the year?
A: All in network covered medical services and prescriptions are then covered in full for the rest of the plan year after reaching the out-of-pocket maximum. No copays would be required.

Q: Do amounts paid towards eyeglasses, contact lenses, and dental expenses count towards the deductible or towards the out-of-pocket maximum?
A: No and no, because these expenses are excluded from plan coverage – although you can utilize HSA funds to pay for these expenses.

Q: Can I enroll in a HDHP if I am Medicaid-eligible? What if one of my dependents is Medicaid-eligible? Can the 2 plans work together?
A: If you are *eligible* for Medicaid, but *not enrolled* in Medicaid, you can enroll in the HDHP. If you are *enrolled* in Medicaid, you can enroll in the HDHP as primary and Medicaid as secondary. If you are *enrolled* in Medicaid, you cannot open a Health Savings Account. If you are Medicaid *eligible*, but *not enrolled* in Medicaid, you can open a Health Savings Account. Beginning with the first month you are enrolled in Medicaid, your HSA contribution limit is zero. If your dependent is *enrolled* in Medicaid, you can use your HSA to reimburse their qualifying expenses but they cannot contribute to their own HSA.

Health Savings Account

Q: Who can contribute to the employee's HSA?
A: Both employer and employee can contribute to the HSA. Employee contributions can be made via payroll deduction (pre-tax), or individuals and family members may make contributions outside of payroll. You can change your payroll deduction amount throughout the year.
You can also make lump sum (after-tax) contributions directly to the bank and take the tax deduction for this lump sum payment on your income tax return.

Q: How much will the district/employer contribute to my HSA each calendar year?
A: District Specific Answer

Q: What is the maximum annual contribution (employer + employee) to an HSA account?
A: For calendar year 2021, the maximum annual contribution (employer + employee) to an HSA account is:
$3,600 (single)
$7,200 (family or any other level of coverage higher than single)
$1,000 additional for catch-up contributions for those age 55 and over by the end of the calendar

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year.

The IRS sets these maximums annually based on a cost of living adjustment factor. The contribution deadline for each tax year is April 15th following the year for which the contributions were made.

If you are first enrolling in a HDHP mid-year in 2021 and on or before December 1, then you may still make the maximum annual contribution into your HSA for the full calendar year ($3,600 if single or $7,200 for family) outside of payroll, but you must remain enrolled in the HDHP until the end of the following calendar year (i.e., December 31, 2021, called the “testing period”) in order to avoid potential tax penalties*.

Your alternative is to prorate your contribution for 2021 based on the number of full calendar months you are enrolled in the HDHP for the year (ex: 6/12 of the maximums above for 2021) and then you do not need to remain in the HDHP for the following year.

**If you fail to remain an eligible individual during the testing period, for reasons other than death or becoming disabled, you will have to include in income the total contributions made to your HSA that wouldn’t have been made except for the December 1 rule described above. You include this amount in your income in the year in which you fail to be an eligible individual. This amount is also subject to a 10% additional tax. The income and additional tax are calculated on Form 8889, Part 111.*

Q: What if I change to (or from) a single contract during the calendar year?

A: There are prorating rules that apply when moving from a family HDHP contract to single during the calendar year, or vice versa. For example, if you are enrolled in a family contract from January 1 till April 30th, but then move to a single contract beginning May 1, your annual contribution limit is calculated as follows:

January $7,200.00

February $7,200.00

March $7,200.00

April $7,200.00

May $3,600.00

June $3,600.00

July $3,600.00

August $3,600.00

September $3,600.00

October $3600.00

November $3,60000

December $3,600.00

Total for all months $57,600.00

Limitation. Divide the total by 12 = $4,800 contributions for the 2021 year.

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Q: What if I am in an HDHP plan with my Domestic Partner? Who can open an HSA account and what are the maximum annual contributions for the accounts?

A: Both the employee and the Domestic Partner are able to open their own HSA accounts if:

1. Covered under the partner's family HDHP plan
2. Has no other disqualifying insurance
3. Is not enrolled in Medicare
4. Cannot be claimed as a dependent on the partner's or anyone else's tax return

Also, if both Domestic Partners are eligible and covered under the same family HDHP plan, the IRS family maximum contribution can be contributed into each of the accounts (for 2021 this would mean $7,200 can be contributed to each account for a combined $14,400 between the two accounts).

Unless one partner is claimed as a federal tax dependent of the other, Domestic Partners cannot use their HSA dollars to pay for their partner's health expenses.

Q: What is the overall cumulative cap on the balance in an HSA account?

A: There is no overall cumulative cap on the balance in an HSA account. Unused funds rollover, accumulate and can be invested without a cap.

Q: Can all of my dependents covered on the medical plan utilize the HSA for their qualified expenses?

A: No. To be eligible for reimbursements from your HSA, non-spouse dependents must qualify as your federal income tax dependents. This generally means that adult children's expenses can only be reimbursed if they under age 19 (age 24 if a full-time student), unless the dependent is incapacitated. Even though the medical plan covers dependents to age 26, the IRS only allows unmarried dependents to age 19/24 to utilize their parents' HSA. Upon losing tax dependent status, the dependent may open their own HSA.

Greater detail is below:

Dependent Children

In order to use your HSA for your child's medical expenses, your child generally must meet the requirements to qualify as your tax dependent under IRS Section 152 (c).

According to the IRS, a dependent is a qualifying child (daughter, son, stepchild, sibling or stepsibling or any descendant of these) who:

- Has the same primary residence as the covered employee for more than one-half of taxable year.
- Has not provided over one-half of their own support during taxable year.
- Is not yet age 19 (or not yet age 24 if a full-time student) at the end of the tax year, or is over the maximum age but is permanently and totally disabled.

The IRS has defined the maximum age for a non-disabled dependent for an HSA as 24 years old. A parent's HSA funds cannot be used to pay for the dependent's care after the age of 24, even if the child is on the parent's high deductible health plan (HDHP) family coverage to age 26.

If the dependent is on the covered employee's HDHP, their services will still count toward the HDHP family deductible regardless of the child's HSA eligibility.

If an adult child is enrolled in the covered employee's HDHP and does not qualify as a tax dependent, they can open their own HSA and contribute up to the full family maximum. Anyone (except the parent's employer) can make the contributions to the HSA. The contributions will be deductible by the HSA account holder (not the person making contributions). Beware of gift tax implications.

The IRS defines a full-time student as:

- A child who during some part of each of any 5 calendar months of the year was enrolled as a full-time student at a school or took a full-time on-farm training course given by a school or a state, county, or local government agency. A school includes a technical, trade, or mechanical

school. It doesn't include an on-the-job training course, correspondence school, or school offering courses only through the Internet.

A child of divorced parents may be considered a tax dependent of either/both parents for HSA purposes.

Q: Can my HSA be used to pay for my previous year expenses?
A: You can only pay or reimburse yourself for any eligible medical expenses that were incurred *after* your HSA was established.

Q: Can I use my HSA account to pay for expenses during the deductible phase?
A: Yes

Q: Can I use my HSA account to pay for my 20% share of expenses during the co-insurance phase?
A: Yes

Q: Can HSA funds be used to pay the full cost of the prescription drugs before I have met my deductible?
A: Yes

Q: What fees might HSA Bank or BRI charge for administering an HSA account? How can I avoid those fees?
A: The HSA Bank monthly maintenance fee is $1.25 a month if the account balance is less than $3,000. Or This fee is paid by the district. District must insert response.

Q: What if I have an existing HSA account from a time when I or my spouse was covered by a HDHP in the past? Can I have 2 HSA accounts? Can I use them both?
A: An individual may maintain and/or contribute to more than one HSA for themselves. However, the total contribution of all HSA contributions may not exceed the annual 2021 limit of $3,600 (single) and $7,200 (family). There is a $1,000 additional for catch-up contribution for those age 55 and over by the end of the year.

A spouse eligible for the catch-up contribution would have to open their own HSA to deposit the $1,000. (An employee cannot make a catch-up contribution for their spouse into the employee's HSA.)

Q: What will happen if I withdraw HSA funds and use them for something other than qualified medical expenses?
A: Any HSA funds you withdraw for non-qualified medical expenses will be taxed at your income tax rate plus a 20% tax penalty. However, if you're over 65 or disabled, then any HSA funds you withdraw for non-qualified medical expenses will be taxed at your income tax rate without the additional penalty.

Q: What will happen if I try to use my HSA debit card for something other than qualified medical expenses?
A: This should be denied at the point of sale, meaning the technology in place should not allow the card to be used to pay for a non-qualified medical expense. However, if the HSA debit card does work for a non-qualified medical expense, we recommend returning the item using the HSA debit card and keeping all receipts. If the item cannot be returned, any HSA funds you withdraw for non-qualified medical expenses must be reported on your income tax return and will be taxed at your income tax rate plus 20% tax penalty. However, if you're over age 65 or disabled, any HSA funds you withdraw for non-qualified medical expenses will be taxed at your income tax rate without the additional penalty.

Q: Do I need to submit receipts to the school or to HSA Bank or BRI to show that HSA funds were used for qualified medical expenses?

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A: No. This is an individual account owned by you, governed by the IRS. You do not submit any receipts to the district HSA Bank or BRI. You are responsible for keeping all receipts in the event that you are audited by the IRS.

Q: Can I enroll or continue to participate in a Flexible Account (FSA) when I am enrolled in a HSA?

A: You cannot enroll in a general purpose FSA for medical expenses and participate in an HSA at the same time. If your spouse has a general purpose FSA, that also makes you ineligible to contribute to an HSA. However, you (and/or your spouse) can continue to participate in a (1) dependent care FSA, (2) limited purpose FSA restricted to dental and vision expenses, and/or (3) a post-deductible FSA that will reimburse medical expenses only after the IRS 2021 minimum deductible is met ($1,400/single and $2,800/family). Dental and vision expenses are also qualified expenses for HSA reimbursement.

If you currently are enrolled in a general purpose FSA and are enrolling in a HDHP for the new plan year, you cannot open an HSA in the new plan year unless (1) your FSA account balance was at zero dollars at the end of the plan year prior to the HSA account being opened; (2) your FSA account balance remaining at the end of the prior plan year is rolled over to a limited purpose and/or post-deductible FSA, (3) your FSA balance at the end of the prior plan is forfeited or waived, or (4) if your FSA plan offers a 2 ½ month grace period, you can begin contributing to an HSA on the first day of the third calendar month in the new plan year.

Q: Can I be enrolled in a Health Reimbursement Account (HRA) while enrolled in a HSA?

A: You cannot enroll in a general purpose HRA for medical expenses and participate in an HSA at the same time. If your spouse has a general purpose HRA, that also makes you ineligible to contribute to an HSA. However, you (and/or your spouse) can continue to participate in a (1) limited purpose HRA restricted to dental and vision expenses, and/or (3) a post-deductible HRA that will reimburse medical expenses only after the IRS 2021 minimum deductible is met ($1,400/single and $2,800/family).

For your employer, the HRA automatically changes to a limited purpose/post-deductible HRA, meaning that only dental vision expenses are eligible expenses while you are in the deductible phase of the HDHP, and once the IRS 2021 minimum deductible is met ($1,400/single and $2,800/family), the HRA changes to a post-deductible HRA and all qualified medical expenses can be reimbursed from the HRA account.

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Q: How can I use my HSA funds after I turn age 65 and become Medicare-eligible?

A: After you turn age 65 and become Medicare-eligible, you can continue to use your HSA funds for qualified medical expenses (even if you are no longer eligible to contribute to an HSA), including deductibles, copays, coinsurance, Medicare premiums (Parts A, B, or D), Medicare Advantage plan premiums, Long Term Care insurance plan premiums, or any other health insurance plan premiums* (e.g., retiree medical coverage) other than a Medigap or MedSupp policy. If your Medicare premium is automatically deducted from your Social Security check, you simplify reimburse yourself directly from your HSA for the Medicare premiums paid from your Social Security payment. If the account is used for qualified medical expenses, it will continue to be tax-free.

At age 65, you can take penalty-free distributions from the HSA for any reason. However, in order to be both tax-free and penalty-free, the distribution must be for a qualified medical expense. Withdrawals made for other purposes will be subject to ordinary income taxes.

* Note that you can only use your HSA to pay your share of premiums for employer-sponsored health coverage if you are not otherwise paying for them on a pre-tax basis. If you are an active employee, your premiums are automatically deducted from payroll on a pre-tax basis, and you cannot use your HSA funds to reimburse yourself for them unless you make a special request of your employer to have them deducted on an after-tax basis (assuming that your employer's cafeteria plan allows you to request such after-tax contributions).

Q: If I enroll in Medicare Part A and/or B, can I still contribute to my HSA?

A: The month your enrollment in Medicare Parts A and/or B becomes effective, you can no longer contribute to an HSA. This is because you generally cannot have any health coverage other than an HDHP if you are contributing money into an HSA. However, you may withdraw money from your HSA after you enroll in Medicare to help pay for medical expenses (premiums, deductibles, copays or coinsurances as described above). If you use the account for qualified medical expenses, it will continue to be tax-free. At age 65, you can take penalty-free taxable distributions from the HSA for any reason. However, in order to be both tax-free and penalty-free, the distribution must be for a qualified medical expense. Withdrawals made for other purposes will be subject to ordinary income taxes. .

At age 65, you can also use your HSA to pay for Medicare parts A, B, D and Medicare HMO/PPO premiums tax-free and penalty-free. You cannot use your HSA to pay for Medigap/Supplemental insurance premiums. You can also use your HSA to pay the employee share of premiums for employer-sponsored health care (employee paid portions of employer sponsored health care may already be pre-tax). If your Medicare premium is automatically deducted from your Social Security check, you simplify reimburse yourself directly from your HSA for the Medicare premiums paid from your Social Security payment.

If the employee is currently enrolled in an HSA, contributions might need to stop up to 6 months before signing up for Part A and Part B in order to avoid tax penalty (in case Medicare coverage will be retroactive; otherwise contributions may continue until date Medicare begins).
If you are under 65 and a surviving spouse collecting your deceased spouse's social security, that does not disqualify you from being HSA eligible.

The below chart will be helpful to determine eligibility into a HDHP, HSA , and HSA contributions maximums:

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	Medicare Eligible-Having part and or Part B	HDHP Enrollment Eligible	HSA Enrollment Eligible	Eligible Amount of HSA Deposits	Who Can Use HSA Funds
Scenario 1	Employee Only is Enrolled In Medicare, Spouse is not enrolled in Medicare or U65	Yes	No for employee although spouse can open their own HSA	$0 from district Spouse with their own HSA can contribute up to family annual maximum	Both can use HSA Funds
Scenario 2	Employee is U65 & Spouse only is Enrolled In Medicare	Yes Both EE and spouse can enroll in HDHP	Yes – only for employee	Only up to Family Annual Maximum	Both can use HSA funds
Scenario 3	Employee and Spouse both are enrolled In Medicare	Yes, but why would they?	No	$0	No funds available from this scenario although prior balances form previous plans would be available for use

Q: Am I eligible for an HSA if I receive VA or Tricare benefits?

A: TRICARE provides civilian health benefits for U.S Armed Forces military personnel, military retirees and their dependents, including some members of the Reserve component. Receiving benefits from TRICARE disqualifies the employer/employee from having/contributing to an HSA.

You can only receive and make HSA contributions if the VA benefits you are receiving are for a service related illness/injury, or are for dental, vision, or preventive care. If a HSA-enrolled employee receives VA benefits for any other purpose, then the employee must notify the district immediately, and neither the employee nor the district may contribute to the HSA for the next 3 months.

An individual is eligible to make HSA contributions for a month if s/he was eligible for but did not actually receive VA medical benefits during the preceding three months, or if the benefits received by the VA were limited to preventive care (which would include COVID vaccines), dental or vision coverage, or medical services "for a service-connected disability." A "service-connected disability" is a disability that was incurred or aggravated in the line of duty in the active military.

Employer and employee cannot contribute to an HSA for three full calendar months following the month when they were treated at the VA for something other than preventive care, dental or vision, or a service-related disability. However, if care received from the VA is preventive, for dental or vision, or for a service-related disability or injury, HSA contributions are not impacted.

For example:

• If an employee received impermissible VA medical benefits during April 2021, but did not receive such benefits during May, June, or July 2014, the employee may contribute to an HSA again on August 1. The employee's annual contribution limit would be 9/12 of the normal limit, and the employee would be able

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to contribute to the HSA in January, February, March, April, August, September, October, November and December.

• If an employee received VA medical benefits during April 2021 and July 2021, the employee could not contribute to an HSA during May, June, July, August, September or October 2021. The employee may begin to contribute to an HSA again on November 1, 2021. The employee's annual contribution limit would be 6/12 of the normal limit, and the employee would be able to contribute to the HSA in January, February, March, April, November, and December.

Just because the employee's annual maximum contribution limit is pro-rated does not necessarily mean that the employer's contribution needs to be pro-rated. Unless the employer's CBA or other plan materials indicate that HSA contributions will be pro-rated based on months of HSA eligibility, the employer generally should make the full employer contribution

Q: Can contributions be made to an HSA if I am collecting social security payments?

A: You are ineligible to continue to receive contributions into a HSA if you are enrolled in Medicare. If you are receiving Social Security benefits for any reason, then your enrollment in Medicare Part A is automatic when you turn age 65 (or after 30 months, if you are receiving Social Security Disability benefits). Collecting early Social Security payments before age 65 but not being enrolled in Medicare still allows you to make HSA contributions.

Q: What happens to my HSA account if I switch back to a plan that is not a HDHP?

A: The same rules regarding qualifying expenses apply, but no new contributions can be made into the HSA after you are no longer enrolled in the HDHP. You can still pay for future qualified medical expenses using the remaining funds in your HSA, even if you are not in a HDHP.

Q: What happens to my HSA account when I leave the district?

A: Your HSA account goes with you, as you own the account.

Q: What happens to the balance in my HSA account when I die?

A: Electing a beneficiary is optional and encouraged, but not required. If the spouse is elected as the beneficiary, then the HSA rolls over to the spouse with no tax implications. If it goes to anyone else as the beneficiary (or to the estate if a beneficiary is not chosen), then it becomes taxable income to the beneficiary.

From IRS Publication 969:

> **Death of HSA Holder**
> You should choose a beneficiary when you set up your HSA. What happens to that HSA when you die depends on whom you designate as the beneficiary.
>
> Spouse is the designated beneficiary. If your spouse is the designated beneficiary of your HSA, it will be treated as your spouse's HSA after your death.
>
> Spouse is not the designated beneficiary. If your spouse is not the designated beneficiary of your HSA, the account stops being an HSA, and the fair market value of the HSA becomes taxable to the beneficiary in the year in which you die. If your estate is the beneficiary, the value is included on your final income tax return. The amount taxable to a beneficiary other than the estate is reduced by any qualified medical expenses for the decedent that are paid by the beneficiary within 1 year after the date of death.

Q: Do I have to use HSA Bank or BRI to administer my health savings account?

A: No. You can sign up with any trustee/custodian that offers an HSA. However, the district is not set up to make contributions to any other trustee/custodian than HSA Bank or BRI, therefore, payroll contributions and employer contributions can only be made to an account with HSA Bank or BRI. You are permitted to rollover your payroll and employer contributions from HSA Bank or BRI to any other HSA

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trustee/custodian after they are made, for example if you prefer a different trustee/custodian's investment options. The employer does not endorse HSA Bank or BRI or its investment options.

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Q: What services related to pregnancy, delivery, and infant care are considered preventive and not subject to the deductible, co-insurance, or the out-of-pocket maximum?

A: Certain pre-natal and infant screenings, well-child care, and lactation services and supplies are covered in full. All other services related to pregnancy, delivery, and infant care are subject to the deductible, co-insurance, and the out-of-pocket maximum. A list of the plan's preventive care benefits, including preventive well-child visits, that are not subject to the deductible, co-insurance, or the out-of-pocket maximum, can be found here:
https://www.healthcare.gov/preventive-care-benefits/

Q: What typical services related to pregnancy, delivery, and infant care are subject to deductible, co-insurance, and the out-of-pocket maximum?

A: No services to childbirth and delivery are considered preventive care. Hence, these services are subject to the deductible, co-insurance, and the out-of-pocket maximum.

Q: I plan to have a child in the next year. Will childbirth be considered a qualifying event? Can I stay on my copay plan until I have the baby and then switch to the HDHP as of the date of the qualifying event?

A: Yes, childbirth is a qualifying event. Yes, you can stay on the copay plan until you have the baby and then switch to the HDHP on the date of birth. This change must be communicated to the district HR department within 30 days of the baby's birth.

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