2021-2022 Consumer-Directed Health Plan/Health Savings Account Fact Sheet for Members

Your Consumer-Directed Health Plan

A Consumer-Directed Health Plan (CDHP),[1] coupled with a Health Savings Account (HSA), is a health plan that works a little differently from what you might be accustomed to.

Understanding how a CDHP/HSA works will help you get the most from your benefits. This fact sheet provides CDHP/HSA basics, including how to get started after you enroll and how to use your CDHP/HSA benefits.

How a CDHP Works

The Episcopal Church Medical Trust (Medical Trust) offers seven CDHPs: three through Anthem Blue Cross and Blue Shield (Anthem BCBS), three through Cigna, and one through Kaiser Permanente (Kaiser). See details below about the plans.

A CDHP is a high deductible health plan that allows you to set up an HSA to help pay for eligible healthcare expenses. It has many similarities to other types of health plans:

- Most preventive care services, such as age-appropriate annual preventive exams, well-child visits, and OB/GYN annual exams, are covered at 100% with no member cost-sharing when using network providers. Depending on your age and family history, other preventive care services may also be covered.
- You pay out of pocket until you reach the annual deductible,[2] then the plan begins to pay benefits. Your deductible is an integrated medical (including behavioral) and pharmacy deductible. This means both your medical and pharmacy expenses count toward your deductible.
- You will generally pay less when you use a network provider.[3]
- The plan has an out-of-pocket limit,[4] which is the most you will have to pay for eligible healthcare expenses each plan year. Once you reach this limit, the plan will begin to pay 100% of eligible expenses for the remainder of the plan year.

There are also important differences:

- CDHPs have higher annual deductibles, which include medical and prescription drug costs. That means you pay the full cost of medical and prescription drug costs until you reach the plan's annual deductible.
- Once you meet your annual deductible, you will pay coinsurance, which is a percentage of the cost for eligible services. This is different from other plans, which often use copayments in addition to or instead of coinsurance.
- You may set up an HSA to help pay for eligible expenses, including your annual deductible and coinsurance, with tax-free money. You can also choose to save your HSA money for future healthcare expenses.

[1] *Unless otherwise explicitly stated, Consumer-Directed Health Plan/Health Savings Account (CDHP/HSA) is used throughout to refer to the Anthem BCBS, Cigna, and Kaiser HDHPs, where they are alike.*

[2] *Your network and out-of-network deductibles accumulate separately, meaning one does not apply to the other. Members enrolled in a CDHP-15 with covered dependents must meet the family deductible before the plan pays for any other covered member.*

[3] *The Kaiser CDHPs do not cover out-of-network providers.*

[4] *Your network and out-of-network out-of-pocket limits accumulate separately, meaning one does not apply to the other. Members enrolled in a CDHP-15 with covered dependents must reach the family out-of-pocket limit before the plan begins to pay 100% of covered services for any covered member.*

How a HSA Works

An HSA is like a savings account for eligible healthcare expenses. When you enroll in the CDHP, you can contribute tax-free to an HSA. Here's how it works:

- You decide if you want to contribute and how much, up to IRS maximums. You can change or stop your contributions any time during the year.
- You can use the money in your HSA to pay for eligible healthcare expenses, including your annual deductible and medical, prescription, dental, and vision costs.
- You may also save the money in your HSA for future medical costs—including healthcare expenses in retirement.
- Your HSA is portable and will always belong to you, even if you change employers or retire.

Tax Advantages

There are three tax advantages that come with your HSA:

1. You do not pay taxes on your contributions.
2. Withdrawals from your HSA are tax-free as long as they are used to pay for qualified medical expenses.
3. Your earnings on investments are tax-free, (note that certain restrictions, such as minimum balance requirements, may apply to investment options).

If you withdraw money for any reason other than to pay for qualified medical expenses, you will pay taxes and an IRS penalty (currently 20%) on the amount of the withdrawal. The IRS penalty does not apply if you are age 65 or older, disabled, or if you have died and your HSA is being used by your spouse who is age 65 or older. (Spouses under age 65 must use HSA funds for eligible expenses or pay a penalty.) If you have died and your beneficiary is not your spouse, the account ceases to be an HSA and accumulated funds will be fully taxable to the beneficiary.

HSA Eligibility

To Contribute to an HSA

You must be enrolled in a qualifying Consumer-Directed Health Plan (CDHP) and cannot:

- be covered by Medicare, TRICARE, or other medical insurance,
- be claimed as a dependent on someone's tax return, or
- contribute to a Flexible Spending Account

To open an HSA, you must be enrolled in a qualifying CDHP. Generally, you are not permitted to be covered by other, disqualifying types of health plans, with these exceptions: certain limited forms of supplemental health coverage (described in IRS Publication 969), separate dental and vision coverage, and disability coverage. Disqualifying health coverage includes Medicare, TRICARE, non-CDHP coverage under a plan of your spouse's or domestic partner's employer, or healthcare flexible spending account (FSA) coverage. However, you are permitted coverage under a limited-purpose flexible spending account (LPFSA) or limited-purpose health reimbursement account (HRA). LPFSAs and limited-purpose HRAs are designed to work with HSAs. Contact your employer to see if an LPFSA or limited-purpose HRA is offered.

Also note that you may not be claimed as a dependent on another individual's tax return.

Network = Savings

You will usually pay less for services from network providers than you will from out-of-network providers for two reasons. First, your network coinsurance is lower than your out-of-network coinsurance.[5] Second, network providers can bill you based only on a certain amount, the "allowed amount."

The allowed amount is what our health plan carriers—Anthem BCBS, Cigna, and Kaiser—have negotiated with service providers on behalf of the Medical Trust. These discounted rates for medical services from network providers can save you money.

Using Network Providers

Remember, going to a network provider may have significant cost-saving advantages.

1. Provide your health plan membership information when you call to make the appointment.
2. If you see a network provider, you are not required to make payment at the time of service.[6] Your network provider will code the visit and bill it to your plan.
3. If you choose to pay out-of-pocket at the time of service, be sure that the service and your related payment are run through the health plan carrier claims system so that any network discount will apply and your payment will be credited toward your network deductible.
4. Anthem BCBS, Cigna, or Kaiser will send you an Explanation of Benefits (EOB) informing you of the cost share you will pay for the services based on the negotiated rates and plan coverage.
5. You may make payment by using your HSA debit card,[7] or you can use another bank card and either reimburse yourself with funds from your HSA or let your health savings remain in the HSA for future use.
6. Many preventive care services are paid at 100% when you use a network provider; all other services are subject to the annual deductible and, if applicable, coinsurance.

Using Out-of-Network Providers

It is important to note that if you see an out-of-network provider, you may be required to make payment at the time of service.[5]

1. Provide your health plan membership information when you call to make the appointment.
2. You may make payment by using your HSA debit card, or you can use another bank card and either reimburse yourself with funds from your HSA[7] or let your health savings remain in the HSA for future use.
3. Be sure that the service and your related payment are run through the health plan carrier claims system by reviewing your Explanation of Benefits so that your payment will be credited toward your out-of-network deductible and coinsurance maximum as applicable.

Prescription Benefits

Prescriptions must be paid for at the time of service at a retail pharmacy or through a mail-order pharmacy.

1. Provide the pharmacy with your Express Scripts card to ensure purchases are applied toward your annual deductible and coinsurance maximum, as applicable.
2. You will pay the negotiated rate. (Coinsurance begins once you have met your annual deductible.)
3. You may make payment by using your HSA debit card,[7] or you can use another bank card and either reimburse yourself with funds from your HSA or let your health savings remain in the HSA for future use.

Using Your HSA Contributions

Making regular contributions to your Health Savings Account is a simple and convenient way to build up your HSA balance, creating tax-favored savings for future qualified medical expenses.

[5] *The Kaiser CDHPs do not cover out-of-network providers.*

[6] *We encourage you to wait for your Explanation of Benefits from Anthem BCBS, Cigna, or Kaiser before making payment to ensure that the negotiated rate for service is applied.*

[7] *Note that some banks have fees associated with reimbursing yourself through your debit card. Check with your financial institution.*

Keep Your Receipts

The IRS requires that you keep records to show that HSA withdrawals were used to pay for or reimburse qualified medical expenses that had not been previously paid or reimbursed from another source.

Note that you may cover dependents under a Medical Trust CDHP even if they are not your federal tax code dependents for HSA purposes. For example, your 25-year-old child may not be a tax dependent, but they would still be eligible for coverage under the CDHP. Because your child is not a tax dependent, however, they will not be eligible to have expenses reimbursed from the HSA even though the child is covered under the CDHP. Remember: CDHP coverage depends on the Medical Trust's plan eligibility rules, but using HSA funds on a tax-free basis depends on the Federal tax code.

Any unused HSA funds will remain in your HSA for use in future years—there is no "use it or lose it" rule. If you change medical plans or retire, the HSA is still yours and can be used for qualified medical expenses.

Setting up an HSA

HealthEquity—If you enroll in a Medical Trust CDHP, you will automatically have an HSA set up by HealthEquity, who will send you a welcome kit. If you use HealthEquity, there are no setup fees for the HSA and your maintenance fees are waived. If your employment ends or you are no longer enrolled in a CDHP through the Medical Trust, you will be responsible for all fees.

HealthEquity also offers many other advantages, including access to web-based tools that can assist you in tracking and monitoring your HSA activity.

Local bank chosen by your employer—In some cases, your employer may choose an institution other than HealthEquity for HSA funding. If so, you will receive information from your employer concerning the HSA funding process.

Financial institution of your choice—If you do not wish to use HealthEquity, you may, after consulting with your employer, establish an HSA with any qualified financial institution., but You will be responsible for all fees.

If you do so, please keep in mind that you may not be able to direct contributions by your employer (if any) or pre-tax contributions to that financial institution. Please check with your employer and the institution. Consequently, you may lose valuable employer contributions and the ability to make contributions through convenient payroll deduction. (You will still be able to make after-tax contributions up to the contribution limits and claim a deduction on your federal income tax return.)

If you establish an HSA with HealthEquity (to receive employer contributions and your pre-tax contributions), you may then transfer funds to an HSA with another qualified financial institution.

Annual HSA Employer and Employee Combined Contribution Limits

The IRS sets the maximum amount that can be contributed to an HSA each year.

2021		2022	
Individual	$3,600	Individual	$3,650
Family	$7,200	Family	$7,300

If you are age 55 or older, you may make additional catch-up contributions of up to $1,000 per year.

These limits include your contributions plus any employer contributions, so keep that in mind when choosing how much to set aside in your HSA.

Timing of HSA Contributions

Contributions to an HSA cannot occur until after the first of the month in which the CDHP becomes effective, and your HSA has been opened. What that means is if your plan becomes effective on January 1, contributions cannot be made until after that date. If you have medical expenses on January 1 before your account is funded, you can pay out-of-pocket and reimburse yourself from your HSA once the funds are deposited. No reimbursement is permitted for expenses incurred before you open your HSA. So, for example, if you delay and do not complete the requisite paperwork to open the account until February 1, expenses incurred in January cannot be reimbursed.

Employer HSA Contributions

Each employer (diocese, parish, school, or other Episcopal organization) establishes its HSA contribution policy in line with IRS requirements.

Your employer's HSA contribution policy will define the amount of funds, if any, your employer will contribute to your HSA, the frequency with which these contributions will be made (bi-weekly, monthly, quarterly, or annually), and who will be eligible for such contributions.

Your employer is responsible for communicating its contribution policy to you.

Employee HSA Contributions

If you set up an HSA with HealthEquity or a financial institution chosen by your employer, you can make pre-tax contributions through automatic payroll deductions (if available). If you use a different financial institution, you can mail in an after-tax contribution, for which you can take a corresponding tax deduction at the end of the tax year. HSA contributions for a given calendar year must be made by the tax filing deadline for that year (generally, the following April 15).

Be mindful that your own contributions and any funding you will receive from your employer do not exceed the annual limits for HSA contributions.

If Your Qualified Expenses Exceed the Amount in Your HSA

If your HSA funds do not cover your healthcare expenses, you can pay the difference out-of-pocket and reimburse yourself as funds are added to your account. For example, if you have $1,000 in your HSA in March and you incur $1,500 in medical expenses, you can use the $1,000 from your HSA and pay the additional $500 out-of-pocket. Throughout the year, you may reimburse yourself the remaining $500 from the HSA, as contributions are added to your account. You are responsible for keeping documentation to prove that the HSA funds being reimbursed were used for qualified medical expenses.

Qualified Medical Expenses

Qualified medical expenses include, but are not limited to, deductibles and coinsurance, prescription drugs, mental health and substance use disorder treatment, as well as dental and vision services. HSA distributions can be used for qualified medical expenses for you, your spouse, and your federal tax code dependents. A list of qualified medical expenses can be found on the IRS website.

Domestic Partners and Same-Gender Spouses

If your group allows domestic partners to be covered as dependents on your health plan, you may enroll your domestic partner in the CDHP. However, the IRS only permits an employee's HSA funds to be used to cover the healthcare expenses of a domestic partner if that domestic partner otherwise qualifies as your federal tax code dependent.

Your domestic partner can open their own HSA, which your employer may or may not choose to fund. Note, however, that an employer contribution to an HSA of a non-employee domestic partner would be included in the employee's taxable income.

Same-gender couples who are legally married can use the account in the same way as different-gender married couples.

Additional Benefits

If you enroll in the CDHP, you will have access to the Medical Trust's value-added benefits, such as vision care through EyeMed, the Cigna Employee Assistance Program (EAP), Health Advocate, Amplifon Hearing Health Care discounts, and UnitedHealthcare Global Travel Assistance. For more information about these value-added benefits, please visit our website at *cpg.org*.

You may use your HSA funds, if available, to cover any applicable coinsurance amounts under these benefits.

U.S. Treasury Department HSA Information

The HSA section of the IRS website has links to informational brochures, up-to-date regulations, FAQs, IRS forms, and publications, including these:

Publication 502—A list of qualified medical expenses

Publication 969—A detailed explanation of HSAs and how the IRS treats them

Tax Information

Your HSA custodian will provide the following forms to both you and the IRS annually:

Form 5498-SA—This form details HSA contributions made by you and your employer for the year.

Form 1099-SA—This form reports all HSA distributions made during the year.

Your employer must report to you on your Form W-2, in box 12 with code W, all employer HSA contributions as well as any HSA amounts contributed by you (from your paycheck) on a pre-tax basis through an Internal Revenue Code section 125 cafeteria plan. You will be responsible for completing Form 8889, which details HSA contributions, when you file your Form 1040. Also, please note that any additional amounts contributed to your HSA must be reported on Form 8889 and may be eligible to be claimed as a tax deduction, which could lower your taxable income.

Questions?

If you have an HSA through HealthEquity and have questions or need assistance with HSA procedures and account questions, you may contact their Member Services team 24/7 at (866) 346-5800 or email *memberservices@healthequity.com*. Otherwise, please contact our Client Services team at (800) 480-9967, Monday to Friday, 8:30 AM to 8:00 PM ET, or email *mtcustserv@cpg.org*.