



# THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

## High Deductible Health Plan & Health Savings Account Frequently Asked Questions

### Table of Contents

A. High Deductible Health Plan .....	2
B. Health Savings Account.....	3
I. HSA Basics .....	3
II. HSA Contributions.....	3
III. HSA Eligible Dependents.....	6
IV. HSA Disbursements .....	6
V. HSA and Medicare .....	7
VI. HSA Administration .....	8

# HDHP – Frequently Asked Questions

## What is a High Deductible Health Plan (HDHP)?

**A.** An HDHP is a health insurance plan that has a higher deductible – the amount of first-dollar medical expenses you pay each year before insurance coverage begins paying a portion of the claims. While the deductible is higher with this type of plan, your premiums are lower than the current PPO plan. High deductible health plans don't begin to pay the cost of medical expenses until after you've met the deductible.

## What happens when you meet the deductible in an HDHP?

**A.** Once you meet the deductible, you and UAH will share the cost of your care (coinsurance) until you have reached the annual out-of-pocket maximum limit. Once the out-of-pocket maximum is reached, the plan pays 100% of covered claims for the remainder of the calendar year.

## Are preventive services subject to the deductible in an HDHP?

**A. No.** Preventive services are covered at 100% in-network along with a list of basic preventive prescription drugs also covered at 100%. You can find a comprehensive list of these services at [www.AlabamaBlue.com/preventiveservices](http://www.AlabamaBlue.com/preventiveservices). All other covered services (including non-preventive prescription drugs) are subject to the deductible before the plan begins to pay a portion of the cost.

## What are the prescription drug benefits in an HDHP?

**A.** Certain preventive prescription drugs are covered at 100%. All other prescriptions from in-network pharmacies are covered at 80% after the deductible. To view the current list, visit [www.bcbsal.org](http://www.bcbsal.org) and navigate to Pharmacy > Prescription Drug Lists. Under Large Group Plans select the **NetResults 1.0 Drug List (4 Tiers)** for the standard formulary or the **NetResults ACA Preventive Drug List**.

## Does the HDHP have copayments for certain services?

**A. No.** Unlike the PPO plan, the HDHP does not have copayments for any services. Once you meet the deductible, you will pay a 20% coinsurance on all covered medical and prescription drug claims up until you reach the annual out-of-pocket maximum.

## What is the deductible and out-of-pocket maximum for the HDHP?

**A.** The HDHP deductible and out-of-pocket maximums include both medical and prescription drug claims.

	HDHP (In-Network)
<b>Deductible</b>	\$1,500 per Employee Only Contract \$3,000 per Family Contract
<b>Coinsurance</b>	Services are covered at 80% after the deductible.
<b>Out-of-Pocket Maximum (Deductible &amp; Coinsurance)</b>	\$3,500 per Employee Only Contract \$7,000 per Family Contract

*Please note the Family deductible and out-of-pocket max may be satisfied by one or more persons.*

## What company will administer the HDHP and which providers will be in-network?

**A.** The PPO and HDHP plans are both administered by Blue Cross and Blue Shield of Alabama, use the same in-network providers, and cover the same services.

## Will I be able to switch from the PPO plan to the HDHP (or vice versa) mid-year if I experience a qualifying life event?

**A. No.** Regardless of the qualifying life event, you must stay enrolled in either the PPO or the HDHP for the entire calendar year. You can switch between tiers, but you cannot switch between medical plans until the next Open Enrollment period.

# HSA – Frequently Asked Questions

## I. HSA Basics

### What is a Health Savings Account (HSA)?

**A.** An HSA is a tax-advantaged savings account available only to individuals enrolled in a qualified HDHP. HSA's are individual savings accounts, but the money in the account may only be used to pay for qualified medical, dental, and vision expenses. Contributions are deposited into the account by you and/or your employer and are limited to a maximum amount each calendar year, per IRS regulations. Any unused money in the account automatically rolls over to next year.

An HSA offers triple tax savings:

1. **Tax free** payroll contributions from the employee and UAH.
2. **Tax free** earnings will accumulate, if the HSA funds are invested.
3. **Tax free** distributions, when HSA funds are used to pay for qualified medical expenses.

### When can I open my HSA account?

**A.** You must first be enrolled in the HDHP. Once you are enrolled, you can add the HSA at any time, but the effective date will be the 1<sup>st</sup> of the following month. For example, if you are hired on **May 9** and you immediately enroll in the HDHP and the HSA on the same day, your HSA account will not be officially opened until **June 1**. Any expenses incurred prior to June 1<sup>st</sup> are not eligible for HSA reimbursement. Expenses incurred on or after June 1<sup>st</sup> would be eligible for HSA reimbursement.

### Will I be automatically enrolled in the HSA on January 1 if I am enrolled in the HDHP?

**A. No.** Employees in the HDHP are not required to participate in the HSA. You must make an active election to enroll in the HSA. You must enroll in the HDHP *before* you can enroll in the HSA. You can change your contributions to the HSA once per month by logging in to HR Connection, and each contribution change will be effective on your next available paycheck.

## II. HSA Contributions

### Who is eligible to make HSA contributions?

**A.** In order to be eligible to make contributions to a Health Savings Account:



You must be enrolled in the HSA-qualified HDHP offered by UAH.



You cannot have **other coverage** with any non-high deductible medical plan. In other words, an HDHP must be your only health insurance. This includes the following coverage examples:

- You cannot also be enrolled under your spouse's PPO plan.
- You cannot be enrolled in any Medicare plans.
- You cannot be covered by TRICARE or TRICARE for Life.
- You cannot have used Veterans Affairs (VA) medical benefits in the prior three months, except in cases where the medical services were for a service-connected disability.



You and your spouse cannot be enrolled in a healthcare Flexible Spending Account (FSA) or Health Reimbursement Account (HRA) in the same year.



You cannot be claimed as a tax dependent on another person's tax return.

### Can I participate in the healthcare flexible spending account (FSA) and the HSA plan?

**A. No.** IRS regulations prohibit you or your spouse from participating in a healthcare flexible spending account if you contribute to an HSA. However, you can still contribute to the dependent care flexible spending account (DCA) plan to cover childcare expenses.

### Who else can contribute to my HSA?

**A.** Anyone can contribute to your HSA. This includes you, the University, your spouse or anyone else on your behalf. You can then make tax-free withdrawals to pay for eligible medical expenses. All contributions to your HSA are counted towards your annual contribution maximum regardless of who makes the contribution. If you have two HSAs, the contributions are combined in determining your annual contribution. Contributions to an HSA may be made **until April 15** for the prior calendar year.

### Will the University contribute to my HSA plan in 2023?

**A. Yes.** Employees who enroll in The University's HDHP and who also enroll in the HSA plan will receive the following "seed money" contribution amounts:

- **\$500** per Employee Only
- **\$1,000** per Family without a Spouse or Family with a Spouse

The University will make a one-time contribution to your HSA account in January (or the first of the month after you enroll in the HSA if mid-year), and you may contribute each payroll period. Only HDHP participants will receive the initial contribution of HSA seed money. PPO participants are not eligible.

### Does the HSA have annual contribution limits like the Healthcare Flexible Spending Account (FSA) or Dependent Care FSA?

**A. Yes.** The 2023 annual contribution limits are:

- Individual pre-tax contribution is **\$3,850**.
- Family pre-tax contribution is **\$7,750**.

The annual contribution limit is a combination of employee and university contributions. For example:

	UAH SEED MONEY	+	EMPLOYEE CONTRIBUTION	=	ANNUAL LIMIT
Employee Only	\$500	+	\$3,350	=	\$3,850
Family	\$1,000	+	\$6,750	=	\$7,750

### How much can I contribute to my HSA each month?

**A.** In addition to the annual contribution limits, the IRS has established a "general monthly contribution rule." For each month you are HSA-eligible, you may contribute one-twelfth of the applicable maximum contribution limit. For example, the family employee contribution limit is \$6,750 in 2023 so you could contribute a maximum of **\$562.50** per month ( $\$6,750 / 12$  months). The monthly limit for employee only is **\$279.16** ( $\$3,350 / 12$  months).

	Employee Only	Family
Annual Employee Contribution Limit	\$3,350	\$6,750

**LAST MONTH RULE NOTE:** There is an exception to the general monthly contribution rule. If you become HSA-eligible during the calendar year, you can still make a full-year's HSA contribution online through PayFlex, as long as you are HSA-eligible during the last month of the year (i.e., you are HSA-eligible on December 1<sup>st</sup>, 2021). This is known as the Last Month Rule. If you join the HDHP in December and contribute the full-year's HSA contribution, then you must remain enrolled in the HDHP for the entire 12-month period following (i.e., next calendar year) or you will face a 20% tax penalty on the contribution.

### **Can I make additional contributions to my HSA if I am at least 55 years old?**

**A. Yes.** These are known as catch-up contributions. You can contribute an additional \$1,000 per year to your HSA during the year in which you turn 55 years old and every year after. For example, if you turn 55 on November 30, 2023, you could begin to contribute the extra money as early as January 1, 2023. The \$1,000 additional contribution will also be prorated for an extra **\$83.33** per month on top of the 1/12 monthly limits stated above. If you and your spouse are **both** over the age of 55, you must have separate HSAs in order to both make \$1,000 catch-up contributions.

### **How do the maximum annual HSA contribution limits apply to a married couple if both spouses are eligible individuals and one spouse has self-only HDHP coverage and the other spouse has family HDHP coverage?**

**A.** The maximum annual HSA contribution limit for a married couple if one spouse has family HDHP coverage and the other spouse has self-only HDHP coverage is the annual maximum for family coverage. The contribution limit is divided between the spouses by agreement. This is the result whether or not the family HDHP coverage includes the spouse with self-only HDHP coverage.

***Example.*** For 2023, H and W are married. Both are 40 years old. H and W are otherwise eligible individuals. H has self-only HDHP coverage. W has an HDHP with family coverage for W and their two children. The combined contribution limit for H and W is \$7,750, which is the statutory family contribution limit for 2023. H and W divide the \$7,750 contribution limit between them by agreement.

### **What happens if I contribute to my HSA but I am not eligible, or I contribute more than the annual limit?**

**A.** An HSA is an individual account and not an employer account. **Therefore, it is your responsibility** to ensure you are eligible to make contributions or participate in an HSA and to determine whether any contributions to the HSA have exceeded the applicable maximum annual contribution limit. If you exceed the limit, you could be liable for tax penalties up to 6%. PayFlex reports all HSA contributions directly to the IRS.

### **What can I do to minimize my tax penalty if I contribute too much?**

**A.** Individuals who make excess contributions during the year may withdraw all contributions in excess of the annual limit and avoid paying a 6% excise tax penalty. If you catch your mistake before you file your taxes, you can avoid all penalties by removing the excess contributions from your HSA and treating them as normal taxable income.

### **What happens to my HSA if I don't use all the contributions at the end of the year?**

**A.** Your HSA and the money in it belong to you—not the University or an insurance company. At the end of the calendar year, you keep any unused funds in your HSA. There is no “use it or lose it” rule, making it a great way to save money for future medical expenses. Additionally, your account is completely portable, meaning you can keep your HSA even if you:

- Change jobs or become unemployed
- Change your medical coverage
- Retire
- Move to another state

### **What are my investment options with my HSA?**

**A.** One unique aspect of an HSA is the ability to invest some of your savings to potentially increase the value of your account and save for retirement. To invest your HSA funds, you must have a **minimum balance of \$1,000** in your HSA. Any dollar amount in excess of the \$1,000 may be rolled over into your HSA Investment Account via online Transfer/Distribution at [www.payflex.com](http://www.payflex.com). You determine how you want to allocate your money into the mutual fund options provided by PayFlex. For advice on investments choices, we recommend you contact a licensed investment expert. Neither PayFlex nor UAH will offer any investment advice.

### III. HSA Eligible Dependents

#### **Can I use my HSA to pay for my spouse or children's qualified medical expenses, even if they aren't enrolled on UAH's HDHP?**

**A. Yes.** As long as an expense is not paid or reimbursed by any other source, you can use the funds in your HSA to pay for qualified medical expenses incurred by your spouse and dependents whom you claim on a tax return. If you are divorced or separated, your child is treated as the dependent of both parents regardless of which parent claims a child's exemption.

#### **Can I use my HSA to pay for my adult child who is not a tax dependent, but is enrolled as my dependent on UAH's HDHP?**

**A. No.** While the ACA allows parents to keep their adult children on their health care plans until age 26, the IRS regulations applicable to HSAs generally only allow HSA owners to pay for their child's medical expenses until age 24, if the child is a full-time student. See IRS Publication 969.

#### **If I cannot use my HSA to pay for my adult child's medical expenses, what other options do I have?**

**A.** Your adult child who is not a tax dependent and who is enrolled on your HDHP can open his/her own HSA. PayFlex does not offer retail HSA accounts, but several other vendors are available. Since your adult child is covered under a family HDHP, he/she can deposit up to the annual family contribution maximum to their HSA.

### IV. HSA Disbursements

#### **When can I use my HSA dollars?**

**A.** HSA dollars can be used immediately following your account activation and once contributions have been made. Unlike the healthcare flexible spending account, your monthly contributions will be available with each paycheck – not all at once at the beginning of the year. You can use your HSA funds to pay for qualified medical expenses incurred after your HSA is established. You cannot use the funds to pay for medical care that you received before you opened the HSA. Qualified expenses generally include the expenses listed in [IRS Publication 502](#) for the medical expenses tax deduction:

- Health plan deductibles, copays and coinsurance
- Out-of-pocket expenses for prescription drugs
- Qualified healthcare expenses for your tax dependents
- Health insurance or medical expenses, if unemployed
- Long-term care expenses and insurance
- Dental and vision treatments not covered by insurance, including orthodontia

Remember that HSA funds cannot be used to pay expenses covered by any other source.

#### **Can I use my HSA dollars to pay for other insurance premiums?**

**A.** Generally, you cannot use your HSA to pay medical insurance premiums, but there are some exceptions.

- You can pay for healthcare coverage while receiving federal or state unemployment compensation.
- You can pay COBRA premiums with HSA dollars if you are eligible for COBRA benefits.
- Once you are 65 and eligible for Medicare, you can use your HSA to pay Medicare premiums (A, B, C, and D), out-of-pocket expenses that Medicare does not pay, and Medicare HMO premiums.

#### **How do I pay my physician or the hospital for services with HSA dollars?**

**A.** In most cases, once the medical claim has been processed, out-of-pocket expenses will be billed to you (if any). At that time, you can use your HSA debit card to pay for any out-of-pocket expenses; or you can use your personal funds and request reimbursement from your HSA at a later date.

## **Can I use my HSA dollars to pay for my dependent's medical expenses, or do they each need their own HSA account?**

**A. Yes.** You can use your HSA dollars to pay for any eligible dependent, including a spouse and tax-dependent children. This remains true even if your dependents are not currently covered by UAH's HDHP, but are covered under another health plan.

**Example:** Joe has Employee Only HDHP coverage at UAH, but his wife Susan has Family PPO coverage at Susan's employer for herself and their children. Joe can still use his HSA dollars to pay for the family's qualified medical expenses. This applies regardless of when new dependents join Joe's HDHP. If Joe enrolls in the HDHP in January 2023 then Susan drops her PPO coverage and enrolls in the HDHP in January 2023, all of Joe's previously saved HSA dollars can still be accessed by Susan.

## **What if I used my HSA dollars to pay for non-qualified expenses?**

**A.** You can withdraw money from your HSA at any time and for any reason. However, if your HSA money is not used for qualified medical expenses, you will have to pay income tax on your withdrawal. You may also have to pay a 20% additional excise tax or penalty, unless the withdrawal is made after you attain age 65, become disabled, or after your death.

## **V. HSA and Medicare**

### **Can I contribute to an HSA if I am currently enrolled in Medicare?**

**A. No.** Once you turn age 65 and enrolled in Medicare Part A, B, C, or D, you are no longer eligible to contribute to an HSA. However, if you have existing HSA dollars you contributed prior to turning 65, and enrolling in Medicare, then you can still use those to pay for qualified medical expenses.

### **Can I use my HSA dollars to pay for Medicare premiums?**

**A.** Generally, you cannot use your HSA to pay medical insurance premiums, but there are some exceptions. Once you are 65 and eligible for Medicare, you can use your HSA to pay Medicare premiums (A, B, C, and D), out-of-pocket expenses that Medicare does not pay, and Medicare HMO premiums. You cannot pay Medigap premiums with your HSA. Medigap is insurance that individuals can buy to cover out-of-pocket costs that are not covered by Medicare.

### **What if my spouse turns 65 before I do, can I use my HSA dollars to pay for their expenses?**

**A. Generally, yes.** You can use your HSA dollars to pay for your spouse's qualified medical expenses like copayments, coinsurance, and deductibles. However, you **cannot** use your HSA dollars to pay for your spouse's Medicare premiums.

**Example:** Joe, age 65, and Jenny, age 56, are married. Joe recently turned 65 and enrolled in Medicare. Jenny has an HSA with family coverage. Joe can no longer contribute to the HSA but can continue to use the funds accumulated in Jenny's account to pay his qualified medical expenses. However, he **cannot** use Jenny's HSA to pay for his Medicare premiums because Jenny has not yet reached age 65.

## VI. HSA Administration

### Who will administer my HSA?

**A.** PayFlex will administer the HSA plan. To take full advantage of PayFlex's services, including an HSA debit card, you will need to go to [www.payflex.com](http://www.payflex.com) to activate your account.

### How do I activate my HSA account?

**A.** You will need to activate your HSA before the first day of the plan year or when you become HSA-eligible. If you do not activate your HSA account, the university will not be able to deposit your HSA contributions or HSA seed money. In order to "activate" an HSA with PayFlex, employees must:

- 1. Enroll in the HDHP and Health Savings Account via HR Connection.**
- 2. PayFlex will automatically complete an identity verification process as required by The Patriot Act.** If an employee does not pass The Patriot Act's Identity Verification process, PayFlex will contact the employee via email or US mail for backup documentation. Documentation may include a copy of a Social Security card, recent utility bill, or driver's license, etc. The employee will have 30 days to supply this documentation or their HSA will be permanently closed.
- 3. PayFlex will send a "Welcome!" email to your UAH email address with instructions to register for an online account and accept the Terms & Conditions.** You must register and accept the Terms & Conditions before you can access your HSA funds.

### When will I receive my HSA debit card?

**A.** Once you choose an HSA during Open Enrollment, PayFlex will mail a debit card to your home address before January 1. For mid-year enrollments, it may take up to 2 weeks for your debit card to arrive. You can also call PayFlex at 1-844-PAYFLEX (844-729-3539) or visit their website for more information on HSA contribution limits, eligibility criteria and distribution rules.

### Do I need to file my tax return differently?

**A.** When you file your tax return each year, you will need to file Form 8889, available at [www.irs.gov](http://www.irs.gov). You may want to consult with a tax advisor to determine your tax advantages for participating in the HSA plan. PayFlex provides the following tax forms to the account holders in January of each year:

- **Form 1099-SA** which covers distributions from the HSA
- **Form 5498-SA** which covers contributions to the HSA

These forms must be downloaded on [www.payflex.com](http://www.payflex.com).

### Can I roll-over funds from an existing HSA to the UAH HSA?

**A.** If you enroll in the HDHP and contribute to the HSA plan, then you may roll-over HSA funds to the UAH Payflex HSA.

### What happens to my account if I terminate employment?

**A.** If you leave UAH's employment, the HSA monies are yours to pay for future qualified medical expenses; however, there is a \$5 monthly maintenance fee for maintaining the account with Payflex.