

City of O'Fallon Employee Meetings



Overview of 2013-14 Plan Year Health Plan Information



	Traditional Plan	Smart Choice Plan	Impact to You
Individual Deductible	\$250	\$1,250	\$1,000
Family Deductible	\$500	\$2,500	\$2,000
Individual City HSA Contribution	\$0	\$1,000	<i>Net deductible remains the same</i>
Family City HSA Contribution	\$0	\$2,000	
Individual Employee Premium Savings	n/a	\$0	n/a
Family Employee Premium Savings	n/a	\$395.40/year \$15.21/pay period	<i>Premium savings pays most of your \$500 deductible</i>

* NOTE: This illustration is based on 2012 premium rates

The Journey . . .

- Plan Choice for 2013
 - Current Plan Design
 - Fully Insured with \$250 pp deductible
 - Accompanying Flexible Savings Account (FSA)
 - Future Option with more control
 - Qualified High-Deductible Health Plan (QHDHP)
 - Accompanying Health Savings Account (HSA)



NOTE: These handouts will be available after meetings have commenced sometime in March



Why choose a QHDHP?

- Lower health care premiums for you; your 20% is less.
- Maintains quality benefits for employees & families; the UHC provider network continues to be available and is unchanged.
- Provides a savings mechanism for medical costs.
- Helps employees be wise medical consumers.
- May be eligible to establish a Health Savings Account (HSA).
- City's contributions to a Health Savings Account will alleviate some risk for out-of-pocket costs.

2013 PLAN CHOICES



■ Introducing Choice!

- Open enrollment from April 15 - June 15 – *subject to change*
- All employees must complete an enrollment option choice by close of open enrollment period

■ Traditional Plan

- \$250 deductible / \$500 family deductible max
- Can elect for a Flexible Spending Account (FSA)
- Coordination of benefits allowed

■ Smart Choice Plan – High Deductible Health Plan (QHDHP)

- Includes a Health Savings Account (HSA)
- \$1,250 individual / \$2,500 family aggregate deductible
- No coordination of benefits

O'Fallon Medical Plan Overview

Traditional Plan

2012 Deductible Levels
Annual FSA
Not HSA eligible

Smart Choice Plan

Qualified High Deductible
Health Plan (QHDHP)
HSA Eligible

Both Plans use the same "Preferred Provider"
(PPO) Networks

No need to designate a primary care physician

No referrals needed to see a specialist

Use Preferred and Participating Providers

Health Savings Account Participation and Contributions

- City's HSA Contributions to participant accounts:
 - Individual: \$1,000
 - Employee-Spouse: \$2,000
 - Employee-Child(ren): \$2,000
 - Family: \$2,000
- Maximum total HSA contribution allowable minus City's HSA contribution (Annual)
 - Individual: $\$3,250 - 1000 = \$2,250$ (\$86.53/pay)
 - Employee-Spouse: $\$6,450 - 2000 = \$4,450$
 - Employee-Child(ren): $\$6,450 - 2000 = \$4,450$
 - Family: $\$6,450 - 2000 = \$4,450$ (\$171.15/pay)

Additional \$1,000 allowed annually if over age 55

Medical Plans

Preferred & Participating Provider Networks

<u>In-Network Benefits</u>	<u>Traditional Plan</u>	<u>Smart Choice Plan</u> HDHP - HSA
Calendar Year Deductible	\$250 per person \$500 family maximum	\$1250 per person \$2500 family aggregate
Co-insurance	100% after deductible	100% after deductible
Calendar Year Out of Pocket Maximum	\$250 individual \$500 family aggregate	\$2250 individual \$4500 family aggregate

Medical Plans

Preferred & Participating Provider Networks

<u>In-Network Benefits</u>	<u>Traditional Plan</u>	<u>Smart Choice Plan</u> QHDHP - HSA
Office Visits	\$15/\$25 co-pay <i>deductible waived</i>	Covered <i>after deductible</i>
Preventive Care	100% <i>deductible waived</i>	100% <i>deductible waived</i>
Preventive Lab/Xray	100% <i>deductible waived</i>	100% <i>deductible waived</i>

Medical Plans

Preferred & Participating Provider Networks

<u>Benefits</u>	<u>Traditional Plan</u>	<u>Smart Choice Plan</u> QHDHP - HSA
Outpatient Diagnostic Lab /Xray	100% <i>deductible waived for preferred providers</i>	100% <i>after deductible</i>
Hospital	100% <i>after deductible</i>	100% <i>after deductible</i>
Emergency Room	\$150 copay then 100% <i>after deductible</i>	Covered <i>after deductible</i>

Emergency Room copay waived if admitted to Hospital from ER

Medical Plans: Prescription Drugs

Participating Pharmacies

Medical Plan	Deductible	Tier 1	Tier 2	Tier 3
Traditional Plan	No	\$7 co-pay Plan pays 100%	\$25 co-pay Plan pays 100%	\$50 co-pay Plan pays 100%
Smart Choice QHDHP	Applies to	\$10 co-pay Plan pays 100%	\$30 co-pay Plan pays 100%	\$50 co-pay Plan pays 100%



- 90 Day supply at participating pharmacies
- Use the mail order program for maintenance drugs and get a 90 day supply mailed to your home
- A preventive drug list will be available

How the HSA Plan Works:

The Big Picture

Health Savings Account (HSA)

You OWN the HSA and all of the money!

Earnings

Growth is tax free

Contributions

Total contributions
combined =
employer + employee

Contributions are made pre-tax or are tax deductible

Taxed Distributions (for any other purpose)

Taxed as ordinary income plus 20% tax penalty (before age 65)

Tax-Free Distributions for "Qualified Medical Expenses"

Who can have an HSA?



- You can open and contribute to the HSA when in any month you are:
 - covered under a qualified high-deductible health plan (QHDHP) on the first day of such month
 - not also covered by a non-QHDHP
 - not enrolled in Medicare (generally, has not yet reached age 65)
 - Not receiving health insurance through Tricare
 - not claimed as a dependent on another person's tax return
 - Not participating in a Medical FSA

Health Savings Accounts (HSA)

Advantages

- You own the dollars
- Triple Tax Advantaged (deposits, spending, growth)
- Potential Investment Options
- Retirement Vehicle
- Unused Funds Rollover from Year to Year
- Lower Premiums
- The amount to be contributed by City will be added bonus

Items to Consider

- Deductible and Out Of Pocket Max aggregated for families
- Rx is subject to the deductible (*except identified preventive drugs*)
- Medical office visits subject to the deductible
- Cash flow – the funds must be in account to use spend
- Individual responsibility
- Must keep good records

What are Qualified Medical Expenses?

- Generally any expense incurred to maintain your health or your eligible family members health under the same eligibility rules provided by Code Section 213(d) of the **IRS Ruling** for Flexible Spending Accounts.
- A complete listing provided in Code Section 213(d) (see also **IRS Publication 502**).
- **Non-qualified expenses** may be reimbursed but are subject to regular income tax and may be subject to a **20% penalty**
- HSA is self-administered!
 - Participants *need to keep good records!*

Health Savings Accounts Eligible Expenses *(not a comprehensive list)*

Eligible Expenses

- Acupuncture
- Birthing Classes
- Chiropractic Care
- Deductibles & Copays
- Dental & Orthodontia
- Frames & Contact Lenses
- Lasik vision correction
- Prescriptions
- Physical Therapy

Ineligible Expenses

- Airborne
- Books
- Club Memberships
- Face Lifts & Liposuction
- Marriage Counseling
- Premiums for other Insurance
- Sonicare Toothbrushes
- Teeth Bleaching

Other Eligible Expenses for Tax-Free Distributions

- Premiums you pay for Long Term Care Insurance - Limited to amount listed in IRS Code 213(d)(10)
- Premiums for "COBRA"
- Premiums for coverage while receiving unemployment compensation under state law
- Premiums for individuals over age 65 (Medicare premiums)

NOTE: If you terminate employment or coverage under the QHDHP:

- Cannot use the funds in the HSA to cover premiums for coverage under another employer's plan
- Can use the funds for out of pocket expenses such as co-pays, deductibles, etc.

Flexible Spending Accounts vs. Health Savings Accounts

- HSA allows debit card use on site
- FSA at O'Fallon requires receipt submission
- Cannot use both accounts for medical expenses
- Difference in claims substantiation but the same item eligibility rules apply
- HSA: Check balances online
- HSA: your dollars to save
- FSA: use it or lose it



HSA Administrator:

- The City plans to use a local bank for payroll deferrals and the HSA contributions.
- When enrolled in the QHDHP, an HSA is automatically opened (*if eligible*).
- You will receive a debit card with your Health Savings Account.
- You will be able to manage your account on-line.
- Meetings will be scheduled during open enrollment to explain the HSA services.

Example: Smart Choice Plan, Individ. How the QHDHP Medical Plan works

Preventive Care covered in full (incl. identified preventive prescriptions)		<p>Deductible Waived</p> <p>Deductible</p> <p>Insurance Pays</p> <p>Use your HSA funds for your deductible and co-insurance</p>
In-network \$1,250 per calendar year payable by participant for all expenses (office visits, lab, X-ray, ER, hospital, prescriptions)	Out-of-network \$3,250 per calendar year payable by participant for all expenses (office visits, lab, X-ray, ER, hospital, prescriptions)	
In-network Provider <i>Inpatient Medical Facility</i> 100% Physician 100% Facility	Out-of-network Provider <i>Inpatient Medical Facility</i> 80% Physician 80% Facility	
In-network Eligible health expenses covered at 100% for balance of calendar year after Out-of-Pocket Maximum (\$2,250)	Out-of-network Eligible health expenses covered at 100% for balance of calendar year after Out-of-Pocket Maximum (\$4,250)	

Example: Smart Choice Plan, Family

How the QHDHP Medical Plan works

Preventive Care covered in full <i>(incl. identified preventive prescriptions)</i>		} Deductible Waived } } Deductible } } Insurance Pays 
In-network \$2,500 per calendar year payable by participant for all expenses <i>(office visits, lab, X-ray, ER, hospital, prescriptions)</i>	Out-of-network \$6,500 per calendar year payable by participant for all expenses <i>(office visits, lab, X-ray, ER, hospital, prescriptions)</i>	
In-network Provider <i>Inpatient Medical Facility</i> 100% Physician 100% Facility	Out-of-network Provider <i>Inpatient Medical Facility</i> 80% Physician 80% Facility	
In-network Eligible health expenses covered at 100% for balance of calendar year after Out-of-Pocket Maximum (\$4,500)	Out-of-network Eligible health expenses covered at 100% for balance of calendar year after Out-of-Pocket Maximum (\$8,500)	

Use your HSA funds for your deductible and co-insurance

If a high deductible is not for you

- Traditional Plan Option
 - Pay by pre-tax payroll premium deductions
 - May participate in the FSA



What You Need to Know

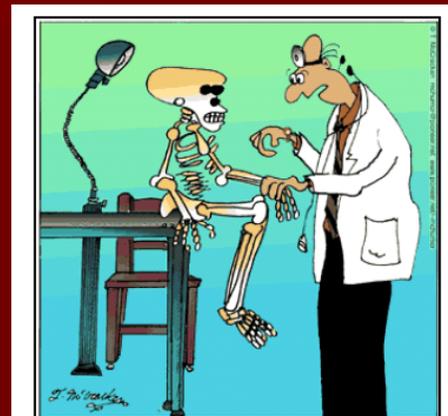
You can make changes until June 15, 2013

- Add or delete a dependents or a domestic partner
- Elect the **Smart Choice Plan** (QHDHP + HSA) or the Traditional Plan.
- Due in Human Resources BY JUNE 15, 2013
- Changes to the plans are effective July 1, 2013. Next open enrollment opportunity is May-June 2014.

- Dates are *subject to change*

4 Questions to Smarter Healthcare

1. How much does that cost?
2. Is the procedure really necessary?
3. Is there a less expensive option?
4. Is there a Generic Rx?



"I wish you'd come to me sooner."



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Questions?
Comments?



Thank you for your time.