The Murray State University High Deductible Health Plan (HDHP) with an Optional Health Savings Account

The Murray State HDHP is designed to encourage you to take a more active role in your health. While deductibles are higher with this plan, your out-of-pocket costs are offset by a health savings account to help you pay for medical, dental, or vision care tax-free. When you choose the HDHP HDHP option for 2010, you may choose to set up a bank account called a health savings account (HSA) that you can use to help pay your deductible and coinsurance.

Other names for these accounts are Consumer Directed Healthcare Plans and Consumer Driven Health Plans. They refer to essentially the same type of medical plan as our HDHP.

Murray State's HDHP plan is very similar to the PPO plans. Here are some of the similarities:

- Full health coverage is provided.
- The same provider network is used
- In-network providers continue to file claims
- In-network providers can not charge more than the allowable amount which is identical to the amount for PPO's
- Deductibles and out-of-pocket maximums are used
- Co-insurance is paid (For MSU's plan, it's "30/70." 30% paid by member and 70% paid by plan, after deductible is met.)
- ID cards are similar
- Explanation of Benefits statements (EOB's) are identical
- Preventive care benefits are identical

Health Savings Accounts (HSAs)

1. A health savings account (HSA) is a tax-exempt trust or custodial account that you set up with a qualified HSA trustee (bank) to pay or reimburse certain medical expenses you incur. You must be an eligible individual to qualify for an HSA.

2. What are the benefits of an HSA? You may enjoy several benefits from having an HSA.

- You can claim a tax deduction for contributions you, or someone other than your employer, make to your HSA even if you do not itemize your deductions on Form 1040.
- Contributions to your HSA made by your employer may be excluded from your gross income.
- The contributions remain in your account from year to year until you use them.
- The interest or other earnings on the assets in the account are tax free.
- Distributions may be tax free if you pay qualified medical expenses.
- An HSA is "portable" so it stays with you if you change employers or leave the work force.

3. Qualifying for an HSA

To be an eligible individual and qualify for an HSA, you must meet the following requirements.

- You must be covered under a high deductible health plan (HDHP), described later, on the first day of the month.
- You have no other health coverage except what is permitted under other health coverage.
- You cannot be claimed as a dependent on someone else's prior year tax return.

Under the last-month rule, you are considered to be an eligible individual for the entire year if you are an eligible individual on the first day of the last month of your tax year (December 1 for most taxpayers). If you meet these requirements, you are an eligible individual even if your spouse has non-HDHP family coverage, provided your spouse's coverage does not cover you.

4. Why choose a High Deductible Health Plan (HDHP)?

The HDHP offers lower premium costs and may allow you to set aside tax-free dollars in a Health Savings Account (HSA) to pay for current or future healthcare expenses or use to build funds for retirement. HDHP benefits include:

- Lower health insurance premiums
- Greater flexibility in how your healthcare dollars are spent
- Ability to contribute to a tax-advantaged HSA
- No “use-it-or-lose-it” requirement; remaining account balance will carry over from year to year
- Control over your healthcare spending; pay for qualified medical expenses or save for future medical expenses or retirement
- Contributions are tax deductible, and earnings along with withdrawals from an HSA are tax-free when used to pay for qualified medical expenses
- The account goes with you even if you change jobs or insurance coverage

HSA Contributions

When you contribute to an HSA during this introductory year, MSU will help your savings grow faster by contributing dollars too. In 2010, MSU will contribute up to $300 for single coverage and up to $600 for family coverage (employee plus dependent) when bi-weekly-paid employees contribute $5 per pay period to their account and monthly-paid employees contribute $11 per pay period to their account. Employee contributions can be stopped or started at the beginning of each quarter, provided 15-days advance notice is sent to HR. See the drop/add form at http://www.murraystate.edu/indir/hr/ben_inf.htm. If you choose not to contribute, Murray State will make no contribution to your account.

All contributions you make to the HSA account are tax-free. Under federal government rules, you can contribute up to $3,050 for single coverage and $6,150 for family coverage in 2010, with an additional $1,000 contribution allowed for those 55 years of age or older. MSU’s contributions count toward the account’s annual limit. Partial year tax rules also apply.

Tax Advantages

HSA’s are owned by you and are portable, so changing employers is not an issue. HSAs have a triple tax advantage - they provide tax-free contributions, growth and disbursement for qualified medical expenses. If the money is not used, funds roll over from year to year. HDHCP’s and HSAs are evolving as a way to pay for not only short and mid-term healthcare costs, but also to save for health care costs during retirement. Your money in the account earns tax-free interest. Distributions from HSAs are tax-free when used for qualified medical expenses for the individual covered by the HDHP HDHP and his/her spouse and eligible dependents. Qualified medical expenses are defined under Section 213(d) of the IRS code*. For HSAs, qualified medical expenses generally do not include health insurance premiums. In addition, HSA funds can be used for the following without federal tax:

- Qualified long-term care insurance, subject to certain dollar limitations
- COBRA continuation coverage
- Health plan coverage while an individual is receiving unemployment compensation
- At age 65 and over, Medicare premiums and out-of-pocket expenses or any health insurance premiums (e.g., Medicare HMO and group retiree plans), other than a Medicare Supplement (Medigap) policy

Refer to the IRS website for a complete list of Section 213(d) expenses (http://www.irs.gov/pub/irs-pdf/p502.pdf).

You may continue to add money throughout the year and use it as it grows. If you don't use it all during the year, or if you leave Murray State University, the money left in your account is yours to keep and use on medical expenses later. To set up an account:

- Complete the HSA enrollment form and return to Human Resources before the enrollment deadline.
- You will receive a HSA Welcome Kit in the mail for you to complete to open the HSA account.
- You must complete the appropriate forms in the HSA Welcome Kit which includes an electronic and/or paper signature form. This will open your HSA bank account.
- Debit cards will be issued after completion of either electronic or paper signature. Checkbooks will be issued after processing of your paper signature (signature card).

HOW THE ACCOUNT WORKS

WHO CAN PARTICIPATE?	Murray State University's High Deductible Health Plan participants.
WHO CAN CONTRIBUTE?	You and Murray State University in 2010.
HOW MUCH CAN I CONTRIBUTE AND HOW MUCH WILL MSU CONTRIBUTE?	Once you make a minimum contribution, MSU will contribute $300 if you cover just yourself or $600 if you cover yourself and your family. Your account can receive contributions amounting to $3,050 for yourself or $6,150 for your family each year. (Participants 55 and older can have limits $1,000/year higher). The minimum contribution is $5/pay for bi-weekly paid employees and $11/pay for monthly-paid employees for one quarter. Notify HR 15 days prior to the end of a quarter to make changes. In addition, MSU will pay one year of fees in 2010 ($15 to open an account and $2.95 per month maintenance which equals $50.40 for the first 12 months), so MSU's contribution to your account will actually be $350.40 or $650.40.
WHAT CAN I USE THE MONEY FOR?	Eligible health care expenses, such as your deductible.
WHO OWNS THE MONEY IN THE ACCOUNT?	The HDHP member.
HOW DO I ACCESS MY ACCOUNT?	Checks & Debit Cards
DOES THE MONEY EARN INTEREST?	Yes, so your available health care dollars can grow over time.
CAN I TAKE THE UNUSED BALANCE WITH ME?	Yes. Take it with you if you retire or leave the University.
ARE THE FUNDS TAX-DEDUCTIBLE?	Yes. The money you contribute to the HSA is pre-tax money, so you pay less income tax while paying for your routine health care.
CAN I ROLL OVER THE UNUSED DOLLARS FROM YEAR TO YEAR?	Yes. You can even save money to use after you retire.