

Open Enrollment 2011

What's in your plan?

State Personnel Department
Open Enrollment 2011

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What's in your plan?

- Health care cost increases captured headlines.
- State expects \$30 million increase in health care costs for 2011: 10% increase over 2010.
- To assist in offsetting this increase, the state is adding an *additional* \$15 million towards benefits in 2011 to reduce the increase in half in spite of the challenging economic climate.

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What's in your plan?

Causes for these increases

- General increase in providing healthcare (new technology, specialty medications, personalized health treatments)
- Healthcare Reform bill
- Aging population
- Our own health claims continue to grow significantly year after year

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What's in your plan?

Options for 2011 health care plans

- Consumer-driven health plan 1 (CDHP1)
- Consumer-driven health plan 2 (CDHP2)
- Traditional PPO (Trad PPO)

All are provided through Anthem

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What's in your plan?

Dental plan

- Delta Dental
- Coverage remains the same
- Premium unchanged

Vision plan

- Anthem Blue View Vision Select
- Coverage remains the same
- Premium unchanged

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What's in your plan?

Non-tobacco use incentive

- Unchanged from 2010 -- \$10 reduction in health plan premium each pay period.
- Sign the agreement and you are pledging to not **use** any tobacco products during 2011 and you agree to undergo nicotine testing.
- Use = smoke, chew, season your food, whatever
- Consequences – loss of job.
- Right to rescind – no later than day prior to testing.

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What's in your plan?

2011 biweekly employee premium rates

Plan	Single	Family
CDHP1	\$ 3.62	\$ 10.16
CDHP2	\$ 27.08	\$ 61.64
Trad PPO	\$103.76	\$289.04

(Includes non-tobacco use incentive)

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What's in your plan?

Maximum annual personal costs calculations*

<u>Single coverage</u>	CDHP1	CDHP2	Trad PPO
Premium	\$94.12	\$704.08	\$2,697.76
Maximum out-of-pocket	\$4,000.00	\$3,000.00	\$2,000.00
State's HSA contribution	(1,251.12)	(751.92)	
Total maximum personal cost	\$2,843.00	\$2,952.00	\$4,697.76
<u>Family coverage</u>	CDHP1	CDHP2	Trad PPO
Premium	\$264.16	\$1,602.64	\$7,515.04
Maximum out-of-pocket	\$8,000.00	\$6,000.00	\$4,000.00
State's HSA contribution	(\$2,502.00)	(1,500.00)	
Total maximum personal cost	\$5,762.00	\$6,102.00	\$11,515.04

**Examples assume employee is participating in the non-tobacco use incentive, using in-network providers and has an open HSA account. These comparisons represent the worst case scenario.*

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What's in your plan?

Two separate entities

1. CDHP – health plan

- Provides traditional PPO coverage (80%/20%) after deductible is met
- Deductible higher than in traditional plan

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What's in your plan?

Separate entities (cont'd)

2. HSA – savings account

- Special bank account for health expenses.
- Contributions tax free for eligible health care expenses
- Your account balance rolls over year after year

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What's in your plan?

CDHPs vs. Trad PPO

- Consumer-Driven Health Plan (CDHP)
 - you pay only a nominal biweekly premium
 - state contributes $\frac{1}{2}$ of the plan deductible to an HSA
- Traditional PPO:
 - you pay a significantly greater biweekly premium
 - Trad PPO does NOT have an HSA (IRS guidelines apply)

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What's in your plan?

2011 deductibles

CDHP 1	Single	\$2,500	Family \$5,000	co-mingled
CDHP 2	Single	\$1,500	Family \$3,000	co-mingled
Trad PPO	Single	\$ 750	Family \$1,500	in-network
Trad PPO	Single	\$1,500	Family \$3,000	out-of-network

Expenses incurred until you reach these amounts you pay yourself = deductible; the co-insurance is the amount you pay after the deductible is met and insurance begins to cover

Family must meet entire deductible before coverage applies.

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What's in your plan?

Out-of-pocket expenses

Once the maximum out-of-pocket is met, plan pays 100% of covered services.

<u>Plan</u>	<u>Single</u>	<u>Family</u>	
CDHP 1	\$4,000	\$8,000	in-network
CDHP 2	\$3,000	\$6,000	in-network
Trad PPO	\$2,000	\$4,000	in-network
Trad PPO	\$4,000	\$8,000	out-of-network

Family must meet total out-of-pocket expense.

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What's in your plan?

In-network vs. out-of-network providers

In-network:

- Broad network contracted with Anthem.
- Agreed to accept certain amount (allowable charge) as payment for specific covered services.

Out-of-network:

- No contract with Anthem.
- May charge more than in-network providers.
- Plan only pays **60%** of discounted fees on most covered services.
- Provider can balance bill you for difference between what plan pays and the full fee charged.
- Not bound by Anthem's in-network discounted fees.
- Go to Provider Finder online directory at www.anthem.com
- Registration guide: [ANTHEM Website Registration Guide 2011.pdf](#)

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What's in your plan?

CDHP: At a physician's office

Seeing an **in-network** physician

- As enrollee you will have an Anthem ID card
- Present your card at medical provider site
- May or may not pay at time of service
- Provider will file claim
- You and your doctor will both receive Explanation of Benefits (EOB) showing your costs
- Provider bills you
- You pay network cost of service from HSA or other funds

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What's in your plan?

CDHP: At a physician's office

Seeing an *out-of-network* physician

- When you make appointment, you may be asked to pay all or portion of fee at the visit.
- Present your Anthem ID card, but you may be required to file your own claim
- You will receive an EOB showing the “approved” or discounted fee and amount due the provider
- Provider's will reflect provider charges minus Anthem's payment -- assume deductible met: (60% of discounted fee) minus any payments you may have made

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What's in your plan?

Become an informed consumer of medical services

- **New Anthem enrollee in 2011:**

<http://demo.anthem.com/abcbs/memberdemoacc/index.htm>

Login: **demo_ppo4**

Password: **anthem001**

- **Current Anthem enrollee:**

www.anthem.com

- **Registration guide: [ANTHEM Website Registration Guide 2011.pdf](#)**

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What's in your plan?

CDHP: Prescriptions

Retail pharmacy:

1. Present your Anthem card (Medco name on back at bottom) to the network pharmacy
2. Prior to deductible is met, pay the full network-adjusted/allowed amount for your prescription
3. Use either personal funds or funds from your HSA
4. Shop for pricing
5. Ask for generics
6. If deductible met, pay co-insurance – anywhere from 10% to 40% depending on drug.

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What's in your plan?

Become an informed consumer of pharmacy services

<http://www.medco.com/medco/consumer/partner/preOpenEnroll.jsp?accessCode=SOIDAACTV4732>

This link takes you to the Medco open enrollment page.

You will have the choice of six (6) informative options.

1. [Find a local participating pharmacy](#)
2. [Compare prescription medication costs](#)
3. [SPD 2010 prescription copay benefits](#)
4. [Covered drug List](#)
5. [Formulary - look up drugs by name](#)
6. [Save money on your prescriptions](#)

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What's in your plan?

Summary below applies to all three plans:
CDHP 1, CDHP 2, Traditional PPO

Prescription drugs	Retail (30 days)	Mail order (90 days)
Generic	\$10 copay	\$20 copay
Formulary	20% min \$30, max \$50	20% min \$60, max \$100
Brand (non formulary)	40% min \$50, max \$70	40% min \$100, max \$140
Specialty	40% min \$75, max \$150	40% min \$150, max \$300

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What's in your plan?

Preventive services – all 3 plans cover 100%

- All plans' preventive covered services meet nationally recommended preventive care guidelines.

<http://www.HealthCare.gov/center/regulations/prevention.html>

- Eligible preventive services are NOT subject to deductible, if you use an in-network provider.
- Most services are paid at 100% -- refer to your Certificate of Coverage.

This provision, as well as all other Health Reform Bill provisions, is temporary and subject to future change.

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What's in your plan?

WHAT ARE HEALTH
\$AVING\$ ACCOUNT\$

AND

HOW DO THEY WORK?

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What's in your plan?

Health Savings Account (HSA)

- This is a real bank account that you open at Tower Bank
- Money deposited into the account belongs to you
- You decide whether and how to spend it
- If you leave state employment, it still belongs to you = portability

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What's in your plan?

Who can open an HSA?

Eligibility requirements:

- Enrolled in an HSA-qualified CDHP
- Not covered by any other medical plan non-CHDP health plan, e.g. your spouse's traditional plan from another employer.
- Not enrolled in Medicare, Medicaid or Tricare.
- Not claimed as a dependent on another's 2010 tax return.
- Have not received VA medical benefits within the past three months *except for preventive services*
- Not enrolled in a Medical FSA, or covered by a spouse's medical FSA;" prohibits use of FSA funds prior to meeting CDHP deductible.

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What's in your plan?

What are the advantages of an HSA?

- Claim a tax deduction for contributions you, or someone other than your employer, make to your HSA even if you do not itemize deductions.
- HSA contributions made by your employer may be excluded from your gross income.
- Contributions remain in your account until you use them.
- Interest or other earnings on the assets in the account are tax-free.
- Distributions may be tax-free if you pay qualified medical expenses regardless of age or HSA-compatible health plan coverage. See *Qualified medical expenses*: <http://www.irs.gov/publications/p502/index.html>
- HSA stays with you if you change employers or leave the work force.

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What's in your plan?

Using funds from your HSA

- You will receive a debit card. Can have other authorized signers
- You can request checks.
- You can pay provider directly with debit card or check.
- You can pay provider with other funds and then reimburse yourself from the account.
- No time restriction on when you use funds, except that the medical service must have occurred *after* your HSA was opened.
- You can use funds to pay medical expenses for any IRS-dependent, even if that person is not covered on your CDHP.

Reminder:

- You cannot spend what is not there.
- You can use other sources and reimburse yourself once there is money in your HSA.
- You can contribute to your HSA and watch the balance grow quickly.

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What's in your plan?

How is HSA funded?

- **Pre-tax contributions by the state of Indiana:**

CDHP 1 single - \$1,250
family - \$2,500

CDHP 2 single - \$ 750
family - \$1,500

- **Pre-tax payroll deductions from your pay – your choice**
- **After-tax contributions by you – e.g., you write a check and deposit it in your account**
- **All deposits made to your HSA must not exceed the maximum IRS limits:**

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What's in your plan?

2011 annual contribution limits (defined by IRS)

Single	\$3,050
Family	\$6,150

If eligible + \$1,000 catch-up contribution -- at least 55 years of age during the year one is enrolled in CDHP and HSA.

If married and eligible, each spouse entitled to catch-up contribution.

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What's in your plan?

State pre-funds your HSA

- Half of the state's annual HSA contribution will be deposited into your HSA account on the first pay of January 2011.
- Remainder will be deposited in 26 equal installments each eligible pay period (if enrolled in CDHP by Jan. 1, 2011).

		<u>Full contribution</u>	<u>Initial (1/2) contribution</u>	<u>Biweekly contribution</u>
CDHP 1	Single	\$1,251.12	\$ 625.56	\$24.06
	Family	\$2,502.24	\$1,251.12	\$48.12
CDHP 2	Single	\$ 751.92	\$ 375.96	\$14.46
	Family	\$1,500.72	\$ 750.36	\$28.86

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What's in your plan?

Prefunding HSA (con't)

Employees enrolled in a CDHP effective **from Jan. 1, 2011, through June 1, 2011**, will receive the ***full pre-fund amount***.

CDHP's effective **after June 1, 2011, but before Dec. 1, 2011**, will receive ***one-half of the initial contribution***.

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What's in your plan?

Individual HSA eligibility

- Your spouse can be enrolled in any type of medical plan and it does not affect *your* eligibility to contribute to an HSA as long as you are *not* covered by that plan unless it is a qualified CDHP (with conditions).
- If you are covered by your spouse's traditional medical plan, you cannot participate in the HSA.
- If you are covered by your spouse's *medical* Flexible Spending Account (FSA), you cannot contribute to an HSA.
- *A limited-purpose FSA (limited to vision, dental or preventive) is allowed.*

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What's in your plan?

Eligibility (cont'd)

- Spousal HSA combinations cannot exceed the IRS statutory maximum annual contribution limit.
- If your spouse is covered by a HSA-qualified, self-only CDHP and you are covered by a HSA-qualified family CDHP, the combined amount you can contribute to your separate HSAs is the maximum allowed for a family plan. This is true whether you both have family plans or single/family plans.

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What's in your plan?

Maintaining your individual HSA while maximizing a FSA

- An employee covered by an CDHP and an unrestricted health Flexible Spending Account (FSA) that pays or reimburses qualified medical expenses *prior to* the plan deductible generally cannot make contributions to an HSA.
- However...
 - An employee can make contributions to an HSA while covered under an CDHP if enrolled in a ***post-deductible*** health FSA. This arrangement does *not* pay or reimburse any medical expenses incurred *before the statutory minimum annual deductible amount is met (\$1,200 single/\$2,400 family) examples next page.*
 - The state's FSA vendor has set-up a **single** account into which you may contribute funds for both the ***limited purpose*** and ***post-deductible*** FSA. Together, you can use the funds for dental and vision regardless of HSA deductible and after you have met the *statutory* deductible, you may use FSA dollars to meet the remaining Plan deductible. This is an opportunity to save HSA dollars in meeting the entire deductible.

Open Enrollment 2011

What's in your plan?

Maintaining eligibility--TIP

	Self-only coverage	Family coverage
Statutory minimum annual deductible:	\$1,200	\$2,400

- These deductibles are *lower* than our plan deductibles; this
- This is a way to save your HSA dollars, if you choose.

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What's in your plan?

	Single	Family	Sources of payment
CDHP1 Plan deductible	<u>\$2,500</u>	<u>\$5,000</u>	
Statutory deductible	<u>\$1,200*</u>	<u>\$2,400*</u>	Paid from personal or HSA funds
Balance of Plan deductible balance that can be paid through post-deductible FSA.	\$1,300	\$2,600	Can be paid by subscriber by using FSA funds in place of HSA funds
*Effective tax savings approximately 25% of statutory deductible amount. Also allows HSA owner ability to save dollars in HSA.			

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What's in your plan?

	Single	Family	Sources of payment
CDHP2 Plan deductible	<u>\$1,500</u>	<u>\$3,000</u>	
Statutory deductible	<u>\$1,200*</u>	<u>\$2,400*</u>	Paid from personal or HSA funds
Balance of Plan deductible balance that can be paid through post-deductible FSA.	\$ 300	\$ 600	Can be paid by subscriber by using FSA funds (in place of HSA funds)
*Effective tax savings approximately 25% of statutory deductible amount. Also allows HSA owner ability to save dollars in HSA.			

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What's in your plan?

Use of HSA to pay certain insurance premiums

Insurance premiums are not considered eligible medical expenses. *However, there are four exceptions:*

1. Premiums for continuation coverage under COBRA or ERISA for the account holder, spouse or dependents.
2. Qualified long-term care insurance contract.
3. Health plan maintained while the account holder, spouse or dependent is receiving unemployment compensations under any federal or state law.
4. Premiums for those over the age of 65, including Medicare or retirement health benefits provided by a former employer.

Open Enrollment 2011

What's in your plan?

Eligible HSA expenses

- Medical expenses (can be applied to your health plan deductible)
- Dental care services
- Vision care services
- Prescription services
- Over-the-counter medications prescribed by your doctor
- Certain medical equipment

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What's in your plan?

Restrictions on using pre-tax HSA funds

- Prior to age 65, funds used to pay for *non-eligible* medical expenses are subject to federal/state income tax plus a 20% penalty.
- After age 65, HSA funds may be withdrawn for non-eligible expenses with no penalty; federal/state income taxes will apply.
- HSA funds can be used to reimburse yourself for past medical expenses *only* if the expense was incurred after your HSA was established.

Open Enrollment 2011

What's in your plan?

Restrictions (cont'd)

- Excess contributions:
 - Any funds over the statutory maximum contribution limits are taxed at your current income tax rate and subject to a 6% penalty.
- HSA funds cannot be used for covered medical expenses for non-IRS tax dependents (age 26 provision).

Open Enrollment 2011

What's in your plan?

Mid-year changes in coverage

- If you change the type or level of insurance coverage mid-year, it may affect the amount you are able to contribute to your HSA. It will not affect how you can use funds already deposited.
- If you change from single to family by 12/1, you can increase the HSA contribution up to the full family amount for the year.
- If you decrease or drop coverage, you may need to decrease the amount you are contributing through payroll or even remove some of your funds as an excess contribution to avoid a tax penalty.

Open Enrollment 2011

What's in your plan?

HSA requirements during Open Enrollment process

- If you have an active HSA with Tower Bank and wish to continue receiving the state's contributions in 2011, you do not need to open a new HSA account with Tower Bank. If you wish to continue contributing to your account or begin contributing for 2011, you need to access your PeopleSoft record and enter your desired contribution. Your contribution amount for 2010 will not carry over to 2011.
- If you are ***electing to participate in a HSA for the first time*** in 2011, you must edit the online HSA option in PeopleSoft. Then you will need to choose the HSA that corresponds to your medical CDHP election in order to receive the state's contribution.

Open Enrollment 2011

What's in your plan?

HSA requirements during Open Enrollment process

(con't)

In addition to electing the HSA option, you will need to open a HSA account with Tower Bank before Jan. 1.

- Link to Tower Bank's website from PeopleSoft on your HSA election page or go directly to the Tower Bank website (www.hsa.towerbank.net).
- The first page of this online session says: "If you have been instructed by your employer to visit this site to open your Health Savings Account, click this button and insert your employer code below." Enter "**100366**" in the "***employer code***" and it will begin the state application.

Open Enrollment 2011

What's in your plan?

HSA requirements during Open Enrollment process

(con't)

You will need the following information to complete the HSA application online:

- Driver's license;
- Social Security number, date of birth and address for your beneficiaries;
- Social Security number, date of birth and address for your authorized signer (if selected); and
- Security passwords for you and your authorized signer (based on the answer to one of the five questions you select during the application process).

Open Enrollment 2011

What's in your plan?

Links to IRS educational resources

Medical and dental expenses

<http://www.irs.gov/pub/irs-pdf/p502.pdf>

Health savings accounts and other tax-favored health plans

<http://www.irs.gov/pub/irs-pdf/p969.pdf>

Open Enrollment 2011

What's in your plan?

**Health care reform changes
HSAs and health FSAs**

Open Enrollment 2011

What's in your plan?

Reimbursement of OTC drugs - FSA & HSA

Beginning Jan. 1, 2011, expenses incurred for medicines or drugs may be paid or reimbursed by either a FSA or HSA *only if*:

1. the medicine or drug requires a prescription
2. is available without a prescription (an over-the-counter [OTC] medicine or drug) and the individual obtains a prescription or
3. insulin

Open Enrollment 2011

What's in your plan?

Required documentation for reimbursement of OTC drugs from FSA or HSA

- Prescription—original or copy and paid receipt, *or*
- Customer receipt that:
 - identifies the name of the purchaser (or name of person for whom Rx applies)
 - date and amount of the purchase and
 - Rx number

Open Enrollment 2011

What's in your plan?

HSA/FSA reimbursements for OTC medications

After Dec. 31, 2010, your HSA or FSA cannot be used to pay for any newly-ineligible items purchased on or after Jan. 1, 2011, without a prescription.

Open Enrollment 2011

What's in your plan?

Penalty for using HSA funds for OTC medications without a prescription

This current rule will now apply to the newly-ineligible OTC drug purchases without a prescription:

Beginning Jan. 1, 2001, the amount of the distribution of expenses that are non-qualifying medical expenses will be included in your gross income and subject to an additional tax of 20%.

Open Enrollment 2011

What's in your plan?

Use of debit cards

- Debit cards will be reprogrammed by Jan. 15, 2011, so that you can no longer use your FSA or HSA debit card to purchase OTC medicines or drugs. IRS [Notice 2010-59](#).
- Further IRS guidelines are to be issued.
- It is suggested you keep the documentation for these purchases in the event of an audit.
- Debit cards may continue to be used for medical expenses other than over-the-counter medicines or drugs.

Open Enrollment 2011

What's in your plan?

OTC medical devices and supplies

- Equipment such as crutches, supplies such as bandages, and diagnostic devices such as blood sugar test kits qualify for reimbursement.
- Such items may qualify as medical care if they otherwise meet the definition of medical care in:
<http://www.irs.gov/pub/irs-pdf/p502.pdf>

Open Enrollment 2011

What's in your plan?

Additional changes for 2011

- Extended child health care coverage to age 26
 - State also allowing coverage to age 26 for dental, vision and supplemental life benefits
 - State is covering extended benefits at no additional charge to employees
- Expanded preventive services:
<http://www.HealthCare.gov/center/regulations/prevention.html>
- No lifetime dollar limits/annual dollar limits
- Participation in the Early Retirement Reimbursement Program

Open Enrollment 2011

What's in your plan?

Open enrollment questions?

Web site: www.in.gov/spd/openenrollment

Benefits hot line: (317) 232-1167 (Indianapolis)

(877) 248-0007 (outside Indianapolis)