Choice Plus Plan with Health Savings Account (HSA)
Frequently Asked Questions (2017 Plan Year)

Section I – General Information

1) Are all State employees eligible to join the Choice Plus Plan with a Health Savings Account (HSA) (the "HSA Plan")?

All state employees are eligible to join the HSA Plan except for members of the Rhode Island Brotherhood of Correctional Officers.

2) Will the State contribute any money to my HSA?

Yes. The State's 2017 contribution to your HSA will be $1,500 if you have individual coverage or $3,000 if you have family coverage. These contributions are made biannually with half deposited on January 1, 2017 and the other half deposited on July 1, 2017.

3) What are the requirements for opening an HSA?

In order to contribute to an HSA, you must meet the following conditions:

- You must be covered by an HSA-qualifying high deductible health plan (HDHP);
- You must not be covered by any other health plan that is not a HDHP (this includes a general purpose health care flexible spending account);
- You must not be enrolled in Medicare, TRICARE or TRICARE for Life;
- You must not be claimed as a dependent on someone else's tax return; and
- You must not have not received VA benefits within the past three months, except for preventive care (if you are a veteran with a disability rating from the VA this exclusion does not apply).

4) Is there a limit on how much I can put into my HSA each year?

The 2017 IRS limits are $3,400 for individual coverage and $6,750 for family coverage. This includes contributions from your employer and any contributions you choose to make. If you are 55 years of age or higher, but not yet enrolled in Medicare benefits, you can deposit an additional $1,000 per year as a "catch-up" contribution.

5) Can I increase, decrease or stop my HSA payroll contribution anytime?

Yes, you can change or stop your HSA contribution anytime during the year.

6) Can I participate in the HSA Plan without opening an HSA?

Yes, you can enroll in the HSA Plan without opening an HSA, but the State will only make its contribution(s) if you open an HSA with Optum Bank.

7) Can I stay in the 2014 Plan and open an HSA account?

No. Only those employees who enroll in the HSA Plan are eligible to open an HSA.

8) If my spouse has his or her own health plan with an HSA, can I also contribute to it?

Yes. But the IRS says the two of you together can only contribute up to the family limit. Both of you can contribute to just one of your HSAs, or you can contribute to both HSAs as long as the total amount doesn't go above the annual family limit. It is your responsibility to ensure that you and your spouse comply with IRS limits.

9) What are HSA eligible expenses?

Funds you withdraw from your HSA are tax-free when used to pay for qualified medical expenses as described in Section 213(d) of the Internal Revenue Code. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness, including dental and vision. A list of these expenses is available in IRS Publication 502, "Medical and Dental Expenses." Any funds you withdraw for non-qualified expenses will be taxed at your income tax rate plus 20% tax penalty if you're under 65.

10) Can my HSA be used to pay insurance premiums?

Insurance premiums are generally not considered qualified medical expenses and would be subject to taxes and penalty. However, the following types of insurance premiums typically do qualify:

- Continuation coverage under federal law (i.e., COBRA)
- Qualified long-term care insurance contract
- Any health plan maintained while an individual is receiving unemployment compensation under federal or state law
- For accountholders age 65 and over (i.e., those eligible for Medicare), premiums for any health insurance (including Medicare and Medicare Part D premiums) other than a Medicare supplemental policy

11) What happens if I leave my current employer, change health plans or retire?

The money in your HSA is yours to keep. If you leave state service, change health plans, or retire, you take your HSA with you. If you switch to a health plan that makes you ineligible to continue contributing to your HSA, you may continue to use the money in your account for qualified medical expenses, but you can no longer make deposits.

12) I want my HSA dollars to go as far as possible. How can I find out how much a treatment or procedure is going to cost?

After you enroll, you will have tools on www.myuhc.com that can help you estimate the cost of treatments and other procedures based on your health plan, a specific doctor or hospital, and your ZIP code.

13) How do I pay with an HSA?

If you receive a bill from your doctor, or if you are paying for a prescription, you can pay from your HSA using your HSA Debit MasterCard card at the point of service, withdraw cash at an ATM to replenish funds paid out of pocket ($2.50 fee applies as well as any fees charged by the ATM machine), online bill pay using *myClaimsManager* or via check (available upon request from Optum Bank).

14) Is there a monthly maintenance fee for the HSA account with Optum Bank?

The fee is waived for the 2017 calendar year.

15) Is there a fee for the HSA Debit MasterCard? Can I request additional cards?

There is no fee for the debit card. You can also request additional cards for dependents at no cost. There is a fee of $2.50 per cash withdrawal as well as any fees charged by the ATM machine.

16) If I paid a health care bill with my credit card, can I pay myself back from my HSA?

Yes, as long as the service is a qualified expense. You can take money out of your HSA to pay yourself back with no penalty. There is a fee of $2.50 per cash withdrawal as well as any fees charged by the ATM machine.

17) Can I use the HSA for my spouse or dependents if they're not covered under my plan?

You can use the HSA to pay for qualified expenses of any family member if they are claimed as a spouse or dependent on your taxes. If a tax dependent is not covered under your plan, and you use your HSA to pay for their expenses, those expenses will not go toward your deductible.

18) Who administers the HSA account?

UnitedHealthcare's subsidiary, Optum Bank.

19) Can I use any bank?

Yes, but you will need to open an Optum Bank HSA in order to initially receive the State's contribution and your payroll deduction contributions, which can only be deposited into an Optum Bank HSA. You could then transfer those funds into another bank's HSA subject to any applicable transfer fees.

20) Does the HSA account earn interest?

Yes, interest is earned while money is in the account. Once your HSA account has reached a threshold of $2,000, you may be able to invest a portion of your HSA in mutual funds. (Note: Investments are not FDIC-insured, are not guaranteed by Optum Bank, and may lose value.)

21) Are the funds available immediately?

Only deposited funds in the account are available for usage. Employee HSA payroll contributions will be available within one business day of payroll check date.

22) What are the HSA deposit options?

- Pretax payroll deduction
- Mail a check (deposit additional dollars into your account by April 15th of the current year in order to realize tax savings for the prior year)
- e-Contribute (Arrange a one-time or regular electronic transfer from an account at another financial institution)

23) Do I need to save my receipts?

Yes, take advantage of the receipt vault on www.myuhc.com (see question #25 below) and keep all records of your medical expenses in case of an IRS audit. This way you can prove that your HSA was used for qualified expenses. (Note: Optum Bank does not track your expenses or verify eligibility however they will report all contributions and distributions to both you and the IRS at year end.)

24) How does an HSA help you save?

- Money put into the HSA is income tax-deductible;
- Money withdrawn from HSA to pay for qualified medical expenses is withdrawn income tax-free;
- Accounts earn interest and this growth is not taxable; and
- HSA funds not spent during the plan year carry over to subsequent plan years.

25) What tools are available on www.myuhc.com for managing your HSA account online?

- Check your balance;
- Arrange deposits from another bank account;
- Pay bills to health care providers;
- Reimburse yourself for qualified medical expenses paid out-of-pocket;
- Use HSA calculators;
- Check the contribution tracker for year-to-date contribution amounts;
- Use the convenient receipt vault (upload your receipts and store them online); and
- Manage investment activities for your HSA.

26) What happens if I use my HSA to pay for ineligible expenses?

If you use your HSA to pay for non-qualified expenses, the amount of the purchase becomes taxable as income. You will also have to pay a 20% tax penalty on that amount. For example, if the expense was $100, the $100 would be considered taxable income and you would also pay an additional $20 tax penalty. The 20% tax penalty does not apply if the account holder is age 65 and older.

27) What if I want to switch plans at the next open enrollment?

If you enroll in the HSA Plan effective January 1, 2017, you are committed to the plan for the entire 2017 plan year, unless you have a qualified status change. At the next open enrollment in late 2017 you can make a new health plan election for coverage effective January 1, 2018.

28) If I enroll in the HSA Plan and decide to change plans at the next open enrollment, what happens to the money in my HSA?

The money in your HSA is yours to keep.

29) Will the state's contribution be pro-rated if I enroll in the HSA Plan during the year due to a status change or if I'm newly hired?

No. The state's contribution is made in two deposits. The first deposit (half of the contribution amount) occurs on January 1st and second deposit (half of the contribution amount) occurs on July 1st. You must be enrolled on the date the deposit is scheduled in order to receive the state's contribution. (Ex: Employee hired or status change on Jan 3rd will only receive state's contribution on July 1st; Employee hired or status change on July 3rd will not receive the state's contribution for the plan year.)

30) Can I rollover HSA funds from a previous employer into my HSA through the state's HSA Plan?

Yes, you can rollover over the funds into your HSA.

31) What happens to the HSA in the event of the death of the account holder?

- Account holders will be given the opportunity to assign a beneficiary to their account (online at www.myuhc.com or via paper form).
- If no beneficiary is elected, the account holder's estate will be deemed to be the beneficiary.
- If the spouse is designated as the account's beneficiary, it will become the spouse's HSA with all the associated tax benefits.
- If anyone other than the spouse is designated as the beneficiary:
    - The account ceases to be an HSA;
    - The fair market value of the HSA will be treated as taxable income to the beneficiary;
    - The account can be used for the decedent's expenses on a tax free basis if used within 1 year after their death.

Section II – Medicare Interactions

32) What happens when you enroll in Medicare?

In the year you enroll in Medicare, your contributions and the state's contribution must both be prorated. For example, if you enroll in Medicare in July 2017, your HSA contribution must reflect the fact that you were eligible to contribute to your HSA for only six months of the year (January through June). This means $1,700 for individual coverage and $3,375 for family coverage or with the “catch up” contribution $2,200 for individual coverage and $3,875 for family coverage.

33) Do I have to dis-enroll from the HSA plan on the month I enroll in Medicare?

Not necessarily. If you enroll in Medicare you become ineligible for continuing contributions to your HSA, but you may remain enrolled in the HDHP. You can keep your HSA and all of the money in it, but you will be ineligible to continue contributing to the HSA.

34) Can I continue contributing to my HSA if I am Medicare-eligible?

Yes. Here’s what you can do, according to different situations:

- If you’re eligible for Medicare *but have not filed an application for either Social Security retirement benefits or Medicare*, you need do nothing. Because the state has enough employees, you have the right to postpone applying for Social Security and Medicare — and therefore can continue to contribute to your HSA — until you stop working. There is no penalty for this delay, and when your employment ends you’re entitled to a special enrollment period to sign up for Medicare.
- If you’re entitled to Medicare because you signed up for Part A at age 65 or later (perhaps not realizing that it can affect the use of your HSA) *but have not yet applied for Social Security retirement benefits*, you can withdraw your application for Part A. To do so, contact the Social Security Administration at 1-800-772-1213. There are no penalties or repercussions and you are free to reapply for Part A at any future date.
- But *if you have applied for, or are receiving, Social Security benefits*—which automatically entitles you to Part A—you cannot continue to contribute to your HSA. In these circumstances, the only way you could opt out of Part A is to pay back to the government all the money you’ve received in Social Security payments, plus everything Medicare has spent on your medical claims. You must repay these amounts before your application to drop out of Part A can be processed. If you take this action, you’re no longer entitled to Social Security or Medicare—but you can reapply for both at any time in the future (for example, if you end or lose your HSA coverage).

35) I’m enrolled in Medicare. Can I still be covered under my spouse’s HSA plan through his/her employer?

The IRS rule affects only employees age 65 or older who have HSAs through their employment, because they are the ones who contribute to HSAs from their pre-tax earnings at work. The rule does not affect covered spouses over age 65, who can continue to use funds from the working spouse’s HSA for qualified expenses.

36) If my spouse or dependent is enrolled in Medicare, can I open and contribute to an HSA?

Yes, if a spouse or dependent will be or is already covered by Medicare, you can sign up for the HSA Plan and open and contribute to an HSA. If you file taxes jointly with your spouse, you can use your HSA to help pay for your spouse’s qualified expenses, such as Medicare premiums.

37) If I'm 65 or older and decide to retire, what happens to my HSA?

After you turn 65 or start receiving Medicare benefits, you may withdraw money from your HSA for medical and non-medical purposes without penalty. When your Medicare coverage starts, you can use your HSA to pay your Medicare premiums, deductibles, and co-payments.

***Warning for when you retire*:** You cannot contribute to an HSA in any month that you are enrolled in Medicare. There's a pitfall inherent in that rule that you need to be aware of. When you finally sign up for Social Security retirement benefits — probably when you're on the point of retirement — and if you're already at least six months beyond your full retirement age (currently 66) — Social Security will give you six months of "back pay" in retirement benefits. It's a generous gesture, but it means that your enrollment in Part A will also be backdated by six months. Under IRS rules, that leaves you liable to pay six months' of tax penalties on your HSA. To avoid the penalties, you need to stop contributing to your account six months before you apply for Social Security retirement benefits.

38) I enrolled in Medicare under age 65 due to a disability. Can I participate in the HSA Plan?

No, you're ineligible because you're enrolled in Medicare. The only way you can opt out of Part A is to repay Social Security for all the disability payments you've received, even if you've never used Medicare for medical services, and to repay Medicare for any services that you have used.

Section III – Flexible Spending Account Interactions

39) Can I have an HSA and a health care flexible spending account (FSA)?

Yes and no. Per IRS rule, you cannot maintain both a general purpose health care FSA (GP FSA) and an HSA. A GP FSA counts as other health coverage that renders you ineligible for an HSA. But the law does permit an HSA holder to contribute to and maintain a limited purpose health care FSA (LP FSA). An LP FSA can only be used to pay for eligible dental and vision expenses, as well as preventive health care expenses. Unused health care FSA balances up to $500 can be rolled into a limited-purpose FSA.

40) If my spouse has a GPFSA through another employer, can I open an HSA?

Probably not. Unless your spouse's GP FSA is an "employee-only" or "employee plus children only" GP FSA, you would be covered by your spouse's GP FSA and would be ineligible to open an HSA.

41) If I am covered under an HDHP through my spouse's employer can I contribute to a state-sponsored GP FSA?

Yes. However, you should consider electing an LP FSA so your spouse can remain eligible for HSA contributions. If you elect the GP FSA, your spouse will lose his or her eligibility to contribute to an HSA since your GP FSA automatically covers your spouse and is considered disqualifying health coverage for HSA eligibility purposes.

42) If I am currently enrolled in a GP FSA and want to enroll in the HSA Plan during open enrollment, what happens to remaining funds in my GP FSA as of the end of the current plan year?

If you are enrolling in the HSA Plan during open enrollment and you have $500 or less remaining in your GP FSA at the end of the current plan year, the remaining amount will be rolled over to an LP FSA for the next plan year regardless of whether you elect to open an LP FSA. Any amount over $500 will be forfeited. For further details about FSA carry-over and forfeiture, please see the FSA FAQ.