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New Medical Plan Added for 2020

CONUS

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- During 2019 Open Enrollment, the DoD NAF HBP* announced that there will be a **new lower cost medical plan option** to all employees and retirees beginning 1/1/2020.
- The great news is that the new plan will be a High Deductible Health Plan (**HDHP**). An HDHP is just a type of medical plan but it will have plan design features that meet the IRS requirements so that your NAF employer can also offer you a Health Savings Account (**HSA**) to enroll in if you are eligible.
- You'll now have a choice for medical plans. You can decide which medical plan best meets the needs of you and your family. During Open Enrollment, you'll have a tool to put in your estimated healthcare needs and the tool can help you decide which plan may be best for you.

What is HDHP with HSA?

- **I've heard about this "HDHP" and "HSA".**

HDHPs with HSAs have been around since 2004. In fact, 1 in every 12 Americans will have an HSA.

70% of employers offer at least 1 HDHP medical plan.

- **This sounds so different than the Choice POS II Plan (CPII) we have now.**
 - HDHP will use the **same provider network** (doctors, hospitals) and discounts and the **same pharmacy network** as the CPII plan.
 - HDHP will have the **same services covered** (i.e. 100% preventive, what drugs are covered, what is excluded, etc.) but at a **different cost share** than current. With a higher deductible, you'll pay more as you use the plan vs. paying more payroll contributions to higher coverage level.
 - HDHP will cover the **same program features** such as Teladoc (general medicine/dermatology/behavioral health), it will include incentives for healthy actions (biometric screenings/completing a health assessment/online journeys/3 calls with DM on a goal) and 24 hr. Informed Nurse Helpline, etc.
 - HDHP will have the **same \$150 vision hardware reimbursement** benefit as in CPII.

Why an HDHP with HSA, and not some other lower cost option?

- HSA allows **higher pre-tax contributions** for eligible expenses than an FSA (\$3,500 individual and \$7,000 family in 2019 vs. \$2,700)
- HSA contributions go into a bank account owned by you, the employee, so **there is no “lose it or use it”**
- HSA **monies stay with you** even if you switch plans or no longer work at your NAF employer (leave or retire)
- HSA monies **can be invested** at a balance of \$1,000 and greater.
- At 65 or older (or disabled), you can use the HSA monies for non-eligible expenses without 20% tax penalty (“regular” taxes will apply to the withdrawal amount)
- If you have an HSA somewhere else, you can **transfer balance** to our HSA
- **You are in charge** of your HSA funds. This makes you the decision maker. When you spend your own money, you are inclined to ask more about the cost of health care. This saves you and the plan money. Saving the plan money saves you on payroll contributions.

Save the best for Last!

HSA offers triple tax benefits

TAX-FREE X 3 = FOR ME!!!

Unlike other savings vehicles (Roth IRA, Traditional IRA, 401(k), etc.), an HSA offers triple tax savings:

- 1) Pretax or tax-deductible contributions
- 2) Tax-free interest or investment earnings
- 3) Tax-free distributions, when used for qualified medical expenses

Triple tax savings? I'm in!!

Am I eligible for an HSA?

The IRS rules to be eligible for a Health Savings Account:

You have to be enrolled in a qualified HDHP, and the DoD NAF HBP HDHP will be a qualified plan.

You cannot have any other health coverage that pays for out-of-pocket health care expenses before you meet your plan deductible

You cannot have an FSA in the same plan year (and neither can your spouse)

You cannot have Medicare or TRICARE

You cannot have someone claim you as a tax dependent on their tax return

You cannot have had VA benefits used in the prior 3 months before HSA setup (unless for a service-related disability)

NOTE: Even if you are not eligible for the Health Savings Account, you could still enroll in the HDHP medical plan

I want an HSA, so tell me more about the HDHP medical plan!

- IRS sets minimum deductible and maximum Out-of-Pocket amounts, and requires that all covered health care expenses, including covered prescription drugs, have the deductible apply with the exception of 100% preventive services (which are the same as current plan).
- IRS also allows the preventive medicine listing be included which waives the deductible for just those specific covered prescription drugs noted on that list.

2019 IRS minimum deductible for HDHP plans:

- = *minimum* of \$1,350 individual deductible (in-network)
- = *minimum* of \$2,700 family deductible (in-network)

HSA vs. FSA

HSA = Health Savings Account

- You are eligible to set up and contribute to an HSA ONLY if you are covered under a qualified HDHP (not available if enrolled in any other DoD NAF Plans)
- It's an interest-bearing account, owned by employee, can be invested if balance reaches \$1,000 and above
- It's portable. Your HSA monies stay in your account until you use it for eligible healthcare expenses
- Has triple tax benefits (TAX-FREE X 3 = FOR ME!)
- Has IRS requirements
- Your contributions can be pre-tax (via payroll deductions) or post-tax . Pre tax payroll contributions are available to spend as they come out of each paycheck
- You or your spouse can NOT have an FSA in the same year you have contributions to an HSA
- Your NAF employer can make contributions to your HSA (and they will!)
- Actually....your grandmother can give you money to contribute (post-tax money). You would take an "above-the-line" tax deduction and complete Form 889 with your taxes to show contributions to and distributions from your HSA
- Can contribute up to the tax filing deadline (typically April 15th)
- If you are 55 and older, each year you are eligible for HSA, you can contribute an additional \$1,000 to your HSA. This is called a "catch-up" contribution.

FSA vs. HSA

FSA = Flexible Spending Account

- Available even if you don't have DoD NAF HBP medical coverage
- If you are not eligible for an HSA, you can NOT have an HSA. Examples of not eligible for HSA are if you are covered by another medical plan such as a spouse's plan or Medicare or TRICARE). **If you are not eligible for an HSA, you can elect FSA each year.**
- "Use it or lose it" up to \$500 rollover each year
- Pretax employee payroll contribution
- Has IRS requirements
- Annual election amount available January (or time of enrollment)
- **No employer contributions allowed**
- **If you have FSA rollover from 2019, you can NOT enroll in the HSA for 2020. You can enroll in the HDHP medical plan, but not the HSA. If you still want to enroll in the HSA, your options for that FSA rollover are: submit 2019 FSA claims by the filing deadline to use up as much as possible OR forfeit the FSA rollover amount.**

What will be different on HDHP medical vs CPIX medical?

- **LOWER PRICE.** It is estimated that the cost for the HDHP plan will be 15-20% lower than the CPIX plan. Final pricing will be released with 2020 OE information.
- **HSA is available.** You aren't eligible to elect an HSA unless you enroll in HDHP plan.
- **Employer Deposit.** With an HSA, your NAF employer is able to make a contribution (one amount for individual coverage, a different amount for family coverage). It will be a one-time deposit that will occur once you have **enrolled in both** the HDHP and the HSA.
- **Deductible & coinsurance instead of copays.** IRS requires all covered expenses have the deductible apply. This includes office visit, specialist and Rx which you are used to having copays for on the Choice POS II plan.
- **Pharmacy.** IRS requires that ALL covered prescription drugs under your pharmacy benefit, with the exception of a Preventive Medicine List, have the deductible apply. Once the deductible has been met, Rx coverage will be coinsurance (your % of cost share) for the same/current 4 drug tiers with maximums (no minimums).
- **Teladoc.** IRS requires that all covered expense have the deductible apply. True/actual cost of Teladoc consult is \$40, so you'll pay \$40 for Teladoc (vs. the current \$10 cost) until the deductible has been met.

How can I learn more about this new plan?

- The www.NAFHealthPlans.com website will have information posted and will be updated as we get closer to 2020 OE.
- Attend any of the employee **calls** that will be scheduled May-September (call schedule will be posted soon on www.NAFHealthPlans.com).
- Attend an onsite **presentation**, if applicable, in your local area (schedule will be posted soon on www.NAFHealthPlans.com).
- For very detailed information, be sure to check out the Consumer's Guide to Health Savings Accounts (HSA). The 2019 version will be posted at a later date to the www.NAFHealthPlans.com website. The 2020 version will be posted as we near 2020 OE.
- Read the informational material that we'll **mail** to you for 2020 OE in October.
- Use **ALEX** during Open Enrollment to help you decide which plan is best. NEXCOM employees will be using **bswift** for online enrollment and within bswift, Emma is the tool that will guide you through benefit comparison right into you making a plan election.