

RSD #4
Consumer Directed Health Plan
Frequently Asked Questions

What is a Consumer Directed Health Plan?

RSD #4 is offering a Consumer Directed Health Plan (CDHP). The CDHP will have two distinct components; a High Deductible Health Plan (HDHP) and a Health Savings Account (HSA).

An HSA is a tax-advantaged savings vehicle for funding qualified health care expenses. Deposits to an HSA are deductible from income. Amounts withdrawn for qualified health expenses are not subject to income tax. HSAs are regulated by the IRS and the Department of Treasury.

An HDHP is a medical plan with a comprehensive deductible that applies to all health care expenses (In and Out-of-Network). For 2009 an HDHP must have a minimum deductible of \$1,150 per Individual and \$2,300 per family. This amount is subject to annual indexing adjustments. Special consideration may be made by allowing Preventive Care to be covered at 100% and not subject to the deductible.

CDHP plans cover both medical and prescription services. Standalone Dental and Vision Benefits (if applicable) may still be provided on a standalone basis (not subject to the deductible).

In RSD #4's case, the current HDHP is a PPO plan with a \$1,500 single Deductible and a \$3,000 family deductible. Under RSD #4's plan In-Network Preventive Care services will not be subject to the deductible and will be covered 100%. Dental services will remain on a standalone basis.

An HSA must be affiliated with a qualified High Deductible Health Plan (HDHP) for a qualifying contribution to be made.

Please note: the term "HSA" and "CDHP" are both used interchangeably to commonly represent both the medical plan with deductibles and the tax advantaged bank account. While this is commonly accepted and understood, the term HSA technically refers to only the bank account portion of the plan. For purposes of this document, the term HSA will be used in the technical format and will refer to the Health Savings Bank Account. The term CDHP will be used in reference to the combined medical plan with deductibles and the tax advantaged bank account.

This summary is intended to be informational only.
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What is the concept behind CDHP?

Under the CDHP, members must satisfy the deductible before obtaining reimbursement from the Health Plan. This is in contrast to the fixed dollar copays every time you receive services under a non-HDHP plan.

The plan design assumes that as members are faced with a direct share of the upfront cost of services, they will change their "buying habits."

Example: Going to the Emergency Room on Wednesday night for cold symptoms versus waiting to go to your Primary Care Physician's office on Thursday morning.

Further incentives are then provided by the establishment of the HSA account, which allows members to use tax advantaged dollars to pay for qualified medical expenses. To help fund these expenses, RSD #4 will make contributions to their Active Employees HSA funds.

The combination of these factors reduces the premium requirement which is reflected in your premium contribution.

Is the CDHP plan right for me?

The CDHP plan is being offered as an option to the traditional copay based plan(s). It is a personal decision and will impact each person differently.

To help you focus on your choice you should consider the following:

- Personal Health Considerations
 - Types of Recent/Expected Expenses
 - Types and Number of Prescriptions
 - Family Health History
- How much is my premium cost share for each plan
- What are my expected copay expenses under the traditional copay based plan(s)
- What are my expected deductible expenses under the HDHP plan
- Active Employees should also consider RSD #4's contribution to the HSA
- What tax advantages do I get as a result of an HSA contribution

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How much will RSD #4 contribute to my Health Savings Account?

For an ACTIVE employee RSD #4 has committed to contribute 50% of the prorated annual deductible. Contributions will not be taxable to the participant. The HSA PPO plan has an annual single deductible of \$1,500 and an annual family deductible of \$3,000.

At a 50% contribution the prorated annual single contribution is \$750 and the prorated annual family contribution is \$1,500. RSD #4's monthly contribution will equal:

Individual=\$62.50 per month

Family=\$125.00 per month

These contributions will be made on a monthly basis for each month enrolled in the HSA PPO Plan.

For former employees on COBRA, RSD #4 WILL NOT make contributions on behalf of the individual or dependents.

How much can I contribute?

ACTIVE EMPLOYEES can contribute any amount they choose as long as total combined (employer and employee) deposits do not exceed the Federal Maximum HSA Deposit Limits. For 2009 the Federal Maximum HSA Deposit Limit is \$3,000 per Individual and \$5,950 per Family.

Employee contributions to their HSA Bank Accounts are tax advantaged. Contributions will be made on a pre-tax basis for those employees choosing to make contributions via payroll deduction. Contributions may also be made outside of payroll and would be deductible from income (please see FAQ re: Lump Sum Contributions below. Consult your tax advisor for tax advice).

Employees choosing to contribute up to the annual deductible amount, in addition to the employer contribution would contribute:

Individual= \$750 per year or \$62.50 month

Family=\$1,500 per year \$125.00 per month

Employees choosing to contribute up to the Federal Limits, in addition to the employer contribution would contribute:

Individual= \$2,250 per year or \$187.50 per month

Family=\$4,450 per year or \$370.83 per month

I am a Retired Employee or on COBRA, can I contribute to an HSA?

RSD #4 Retirees will not currently have access to the HSA Plan.

RSD #4 will not be making contributions on behalf of those on COBRA, or their dependents. COBRA participants can make contributions in any amount up to the Federal Maximum HSA Deposit Limits. For 2009 the Federal Maximum HSA Deposit Limit is \$3,000 per Individual and \$5,950 per Family.

Do I have to make a contribution?

No, individuals are not required to make any contributions into their HSA. Please consult Banking Materials or the Anthem representative for account fees and requirements.

Can lump sum contributions be made to my HSA?

Yes, but remember total contributions (employee and employer) cannot exceed the Federal Maximum HSA Deposit Limits. Any contribution over the Federal Limits will be treated as an excess contribution and subject to tax and potential penalty.

Note: The timing of a lump sum contribution may have tax implications if you cease to be enrolled in an HDHP during the year. Consult your tax advisor for tax advice.

Can others make contributions on my behalf?

In addition to yourself and RSD #4, other individuals may make contributions into your HSA. Such additional contributions are subject to the stated limits. Please consult the Banking Materials for contribution methods available to individuals and your tax advisor for tax advice.

Are there fees associated with the HSA Bank Account?

Yes, as with many bank-established accounts, there are account set-up fees and maintenance fees. Additional fees may also apply depending how you decide to use your HSA Bank Account.

Who "owns" the funds in the HSA?

Any funds in the HSA, including the funds contributed by RSD #4, are owned by the member. Unused balances may be rolled over to subsequent plan years.

How do I access funds in my HSA?

You will have access to funds in your HSA via a Debit Card and a check book. Refer to banking materials for any applicable banking fees.

What can HSA funds be used for?

HSA funds can be used for qualified medical expenses (as defined by the IRS) on a tax free basis. Qualified medical expenses include both services covered by your Medical Plan portion of your CDHP as well as other qualified expenses outside of the Medical Plan.

You may also use your HSA funds for non-qualified expenses however those funds will be subject to tax and penalty.

If 65 years or older and HSA funds are used for non-qualified expenses, the penalty is waived and those funds will be subject only to tax.

As the "owner" of the account it is the member's responsibility to substantiate HSA expenditures in the event of an IRS audit.

What expenses go towards my HDHP Deductible?

Only those services covered by and reimbursable under the Medical Plan portion of you CDHP will accumulate towards the deductible.

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If I incur qualified medical expenses am I required to use the money in my HSA?

No, you may choose to use non-tax advantaged funds. There is no requirement to use the monies in your HSA for your qualified medical expenses. Monies in your HSA account are owned by you and will roll over annually.

At a future date you may decide to reimburse yourself with HSA funds for qualified expenses that were incurred after your initial enrollment date in the HSA PPO plan. Please consult your tax advisor for tax advice.

I am used to seeing deductibles and coinsurance stated as Single, Two Person, or Family, but now I only see Single and Family. What happens if I have a Two Person Policy?

For purposes of the HSA PPO, deductibles and coinsurance are set as Single or Family only. Two Person contracts will be subject to the Family deductible and coinsurance levels. A Two Person policy is also allowed total HSA contributions (employer and employee combined) not to exceed the 100% of the Federal Family Limit.

Note: Monthly Premium Rate Contributions will continue to reflect Single, Two Person, and Family.

How does the Family Deductible work?

For purposes of the HSA PPO, the full Family deductible must be met before the health plan assumes any coverage. In RSD #4's case, Anthem will not provide coverage until one or any combination of family members incur deductible expenses equal to \$3,000.

Do we have separate In and Out-of-Network Deductibles?

No, the deductible can be met with any combination of In and Out-of-Network services. In RSD #4's case, Out-of-Network claims will be subject to coinsurance and Anthem's approved pricing.

Prior to meeting my deductible, am I paying the full provider price or Anthem's negotiated discount?

For In-Network services, Anthem HSA PPO members are provided with the Anthem network negotiated discounted pricing. Out-of-Network providers are not required to comply with Anthem's negotiated pricing schedules and member reimbursement will be subject to Anthem's approved pricing.

What services are covered as preventive and not subject to the medical plan deductible?

Annual In-Network preventive exams including screenings, immunizations and other services to detect medical conditions in advance. Screening examples include: Cholesterol screenings, Preventive Colonoscopy, Preventive Mammography. See Anthem Materials for a more complete listing.

Note: Screenings (i.e. Colonoscopy and Mammography) performed for diagnostic purposes (when symptoms present) would apply to the plan deductible and coinsurance.

Note: Out-of-Network preventive services are subject to the plan deductible and co-insurance.

Note: Diabetic Supplies and Prescriptions are subject to the plan deductible and co-insurance.

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How are prescription drug claims processed?

Prescription drugs are paid as any other service and are subject to the annual deductible. In-Network pharmacies will process the claim at point of sale. If the member has not yet met the annual deductible, the cost of the prescription (up to the annual deductible) will be required before the prescription will be dispensed. If the deductible has been met the member will receive the prescription with no employee out-of-pocket cost.

Out-of-Network claims must be submitted to Anthem by the member for processing and are subject to Anthem's approved pricing.

If I elect the CDHP plan, can I also be covered by another traditional (non-HDHP) plan (e.g. my spouse's copay PPO plan)?

No, remember there are two components to the CDHP plan. The High Deductible Health Plan (HDHP), and the tax advantaged bank account or HSA. While there are no regulations that limit your ability to have dual coverage with the HDHP, Federal regulations will not allow tax advantaged contributions into an HSA if you have any coverage that does not meet the HDHP requirement. For 2009, qualified HDHPs must have an annual single deductible of \$1,150 and an annual family deductible of \$2,300.

Note: Contributions to an HSA while enrolled in a qualified HDHP are owned by the individual and can be used in the future regardless of your or your dependents health plan status. Additionally, you can use monies in your HSA for dependents even if they are covered under a non-qualified Health Plan. Potential tax and penalties could apply if used for non-qualified expenses.

Note: A spouse's enrollment in their employer's Flexible Spending Plan may be considered other insurance.

The rules above apply to Health and Drug coverage only, Tradition Dental and Vision plan coverage is allowed and is not required to meet the HDHP requirement.

I am on Medicare or will be Eligible for Medicare?

Medicare coverage would constitute other non-HDHP coverage and thus make the member ineligible to make contributions to an HSA.

Unused HSA Funds contributed prior to Medicare enrollment may still be used tax free to pay for qualified medical expenses.

Unused HSA Funds contributed prior to Medicare enrollment may still be used for non-qualified expenses. Tax would apply but the penalty is waived for those over 65 years of age.

If I enroll in the HSA PPO, can I go back to the Traditional PPO Plan?

Yes, individuals will be allowed to make the appropriate Health Plan selection for themselves and their families during the annual open enrollment period or upon a qualifying event (dependent status change, loss of coverage, change in employment status, etc...).

Eligible new hires and eligible individuals with qualifying events will be allowed to make health plan decisions upon date of hire (subject to union contract and carrier enrollment criteria) or date of qualifying event.

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