

New Insurance Plan

Starting July 1, 2008, Bloomington Public Schools moved to a High Deductible Health Insurance Plan (HDHP) paired with Health Savings Accounts (HSA) for most employee groups. The new insurance provides traditional medical coverage and a tax-free way to help employees build savings for out-of-pocket and future medical expenses.

The District initiated the HDHP/HSA program in an attempt to offset the sky-rocketing health care premium costs businesses are experiencing, and to encourage employees to become more cost-conscious in their health care decisions.

Despite the new insurance plan, for many employees there is very little paperwork to complete.

The Human Resources Office has created a very easy-to-navigate Web site loaded with information, including forms, worksheets, and presentations. Access the Web site by going to <http://www.bloomington.k12.mn.us/hr>

Benefits of the New Plan

Under the HDHP, employees will generally pay less in monthly premiums than they would with traditional employer-sponsored coverage. Employees are encouraged to invest the difference in pretax contributions to an HSA.

Deductibles for 2008-09 will be \$1,100 for individuals and \$2,200 for employees who chose to have their families or spouse covered under the plan. Preventive care, such as annual physical check-ups, routine cancer screening, and hearing and vision exams, are fully covered by the District. Once deductibles have been met, the plan will cover most expenses 100 percent. In 2008-09, the District will make tax-exempt contributions of \$1,100 for full-time individuals and families annually towards their HSAs. Employees may also make additional contributions to their HSA from monthly paychecks. The IRS has established maximum

contributions of \$2,900 for individuals and \$5,800 for families in the 2008 calendar year. There is a \$900 catch up provision for those over 55 years of age. Standard fees associated with establishing and maintaining an HSA for active employees are also covered by Bloomington Public Schools.

Frequently Asked Questions

Can every employee have an HSA?

Employees can choose to have or not have an HSA. Employees with a spouse who has a Flexible Spending Account (FSA) or Health Retirement Account (HRA) are not eligible for an HSA. This is an IRS regulation.

Note: Employees, who qualify for an HSA in 2008-09 but are ineligible because of a spouse's FSA or HRA, will have the District's HSA contribution held until they become eligible.

How does an HSA work?

Employees use the account to make payments for qualified health care expenses (See chart on back). Payments are made by debit card, online using electronic funds transfer, or by phone.

Can an HSA pay for non-qualified expenses?

Once the account holder reaches age 65, the funds can be used for non-qualified expenses, but withdrawals are subject to tax. If the funds are used for non-qualified expenses before age 65, the amount used will be taxed and incur a 10% penalty.

Who owns the HSA?

Employees own their account, regardless of who contributes, if they change jobs or retire. The money earns interest over time.

Can a retiree contribute to an HSA?

Yes, if the retiree is covered by an HDHP and not receiving Medicare benefits or receiving money from the MSRS Post-Retirement Health Care Savings Plan. The IRS

does not allow individuals receiving Medicare benefits to contribute to an HSA, but the retiree may continue to own and use an HSA if the account was opened before the person went on Medicare.

Does an HSA earn interest?

Yes, and the interest accumulates tax-free.

Can HSA funds be invested?

Yes, monies up to \$2,000 are invested in a money market fund and monies over \$2,000 can be invested in stocks, bonds, mutual funds, CDs, and annuities.

Which individuals benefit most from HSAs?

Health savings accounts are not just for the healthy or the wealthy. HSAs and qualified high-deductible health plans can work for anyone, regardless of their income or the state of their health. HSAs are the best financial vehicle to save for retirement and pay for medical expenses at the same time.

What happens if you no longer have an HSA-eligible plan?

You keep your HSA. It's always your money. But you can no longer make contributions to your HSA if you're not with an HSA-eligible health plan.

When does the new HDHP/ HSA start?

Coverage started July 1, 2008 for most employees. The District made the initial contribution of \$550.00 to these employees' HSAs in July 2008 and will continue to make a monthly contribution of \$50.00 until changed in negotiations or by Board action.

What is the Minnesota Age 25 Mandate?

The mandate has nothing to do with the HDHP/HSA program, but its adoption coincides with the District's move to the new insurance program. Last year, Minnesota passed legislation that allows employees to keep or enroll dependents on their insurance up to age 25, even if they are not in college. The benefit is subject to taxes. Employees need to submit a "certification" form and enroll their dependent. Information and forms appear on the HR Forms page under Health Insurance.



What will happen to the deductible in 2009?

The deductible will reset to zero on July 1, 2009, and the insurance deductible will move to \$1,150 for individuals and \$2,300 for families for the plan year from July 2009 to June 2010. These amounts are set by IRS regulations.

How much will the District put in your HSA in 2009?

In July 2009 and thereafter, the District will continue to make a \$50/month contribution to your HSA. This is subject to negotiations and Board action.

What will happen to the HSA maximum contribution in 2009?

Starting January 1, 2009, the annual HSA maximum contribution levels will move to \$3,000 for individuals and \$5,950 for families for the 2009 calendar year. The over-55 catch-up provision moves to \$1,000. These amounts are set by IRS regulations.

Medical Expenses

Your HSA can be used for a wide range of medical goods and services, as well as for certain types of health insurance premiums. Below is an abbreviated list of qualified and non-qualified expenses. For a complete list, see the IRS Publication 502, Medical and Dental Expenses at www.irs.gov

Qualified Medical Expenses

- Acupuncture
- Alcoholism or drug addiction treatment
- Ambulance services
- Artificial limbs
- Artificial teeth
- Bandages
- Birth control pills
- Breast reconstruction surgery
- Chiropractor
- Contact lenses
- Dental treatment
- Disabled dependent care expenses
- Eye surgery

- Eyeglasses
- Fertility enhancement
- Hearing aids
- Legal termination of pregnancy
- Long-term care
- Mental health services
- Nursing home
- Optometrist
- Prescription medicines
- Smoking cessation programs
- Transplants
- Weight loss program (if prescribed)

Non-qualified Medical Expenses

- Childcare services
- Cosmetic surgery
- Electrolysis or hair removal
- Future medical care
- Health club dues
- Liposuction
- Teeth whitening

Want quick answers to all your health insurance and Health Savings Account questions?

Blue Cross Blue Shield of Minnesota
Health Insurance
651-662-5001 or 1-800-531-6676
www.bluecrossmn.com

Health Equity, Inc.
Health Savings Account
1-866-346-5800 (24/7)
www.healthequity.com

Bloomington Public Schools
Human Resources
952-681-6440
jmhanson@bloomington.k12.mn.us
www.bloomington.k12.mn.us/hr

High Deductible Health Plan & Health Savings Account

Information for Employees