

# *Health Net's 2016–2017* **EZ Access<sup>SM</sup> HSA**

*Health care solutions that work for your business*



**Guide for Employers**

# EZ Access HSA

*Consumer-Directed Health Insurance Plans*



Looking for a smarter way to **lower your health care costs** while providing **comprehensive health insurance coverage**? Now you can, with Health Net's<sup>1</sup> HSA program.

The HSA program is a next-generation, consumer-directed health plan coverage option designed to help your employees be more in control of their finances and make more confident decisions. This program includes:

**HSA-compatible PPO insurance plans** – PPO insurance plan options offer well-child and adult preventive care with no medical deductibles. Employees get greater freedom to visit the doctor of their choice without a referral.<sup>2</sup> Plus, they get the benefit of in-network savings when seeing a doctor in the Health Net contracted network. (All other deductibles apply until combined out-of-pocket amounts are met.)

**The HSA for Life<sup>®</sup> Health Savings Account (HSA) from Bank of America<sup>3</sup>** – This easy-to-use program lets employees contribute to their account, earn interest, and pay for qualified medical expenses while gaining tax advantages along the way. Employers can also contribute to employee accounts and get tax advantages.<sup>4</sup>

**Healthy solutions** – As Health Net insureds, employees have access to online tools and personal resources at [www.healthnet.com](http://www.healthnet.com). There, they'll find information to help them through the different stages of life, as well as cost-savings options. To help your employees make better informed health decisions, we created Decision Power<sup>®</sup> – a Health Net original. Now there's an easy way to get the information and resources your employees need to help them manage their health care decisions.

<sup>1</sup>The health insurance benefits portion of the EZ Access HSA program is underwritten by Health Net Life Insurance Company in California, and Health Net Health Plan of Oregon, Inc. in Oregon and Washington. Health Net Life Insurance Company and Health Net Health Plan of Oregon, Inc. are subsidiaries of Health Net, Inc. Health Net Life Insurance Company and Health Net Health Plan of Oregon, Inc. are not affiliated with Bank of America, N.A., the Health Savings Account custodian.

<sup>2</sup>Plan benefits (other than preventive) are paid beginning when the plan deductible has been met. Enrollees may need to precertify certain types of hospital and other facility-based care to be eligible for coverage.

<sup>3</sup>HSA administration services are provided by Bank of America, N.A. Investments in HSAs are not FDIC insured, may lose value and are not bank guaranteed. The HSA custodian, Bank of America, N.A., is not a registered broker dealer. Promotional materials describing The HSA for Life have been approved and authorized by Bank of America. For further information about HSAs, call Bank of America HSA Customer Care at 1-800-992-3200.

<sup>4</sup>This is federal tax information. State taxes may apply. Tax information is for general purposes only. For more detailed information about the tax implications of an HSA, please contact a professional tax advisor.

These days you need consumer-directed health care plans that are easy to use and administer, and that give employees the control they need over their health care dollars. Health Net's EZ Access<sup>SM</sup> HSA program<sup>1</sup> is the solution that works all the way around.

### *EZ Access HSA at-a-glance*

<i>HSA-compatible PPO</i>	<i>Health Savings Account (HSA)</i>	<i>Decision support</i>
<ul style="list-style-type: none"> <li>• Plan selection – A range of deductible options gives you more choice and flexibility.</li> <li>• Significant savings when using our robust Health Net PPO network of physicians, practitioners, health professionals, and hospitals.</li> <li>• A combined medical and pharmacy deductible. Insureds pay the full cost of prescriptions and medical care (at our negotiated rates) until their yearly deductibles are met.</li> <li>• Toll-free health plan customer service at 1-800-522-0088 in California, and 1-888-802-7001 in Oregon and Washington.</li> <li>• Online information, including links to plan benefits, ID card ordering, and Bank of America HSA balances, forms and more.</li> </ul>	<ul style="list-style-type: none"> <li>• Easy to administer – No complicated linkages between claims functions and banking functions.</li> <li>• No-hassle group set-up – 15 working days to set up the group's program with easy online employee enrollment.</li> <li>• Easy to explain – Your employees just swipe their HSA Visa® debit card to pay for qualified medical expenses.</li> <li>• Tax advantages – Employees' contributions, interest earned, and eligible withdrawals are all tax-advantaged. Your contributions are not subject to FICA and FUTA taxes.<sup>5</sup></li> <li>• A wide array of investment fund choices (available once HSA balance reaches \$1,000).<sup>6</sup></li> <li>• 24/7 online account access and information.</li> <li>• Toll-free HSA Customer Care at 1-800-992-3200.</li> <li>• Convenient online account statements, as well as annual reports to aid in tax preparation.</li> </ul>	<p>Decision Power helps reduce high-cost service utilization and supports workplace productivity by connecting people with the information, resources and support that fit their health and their life.</p> <ul style="list-style-type: none"> <li>• Get help with a specific health goal.</li> <li>• Assess health risks.</li> <li>• Health Risk Questionnaires and Personal Health Records.</li> <li>• Treatment guidance.</li> </ul> <p>Employees choose how and when to use Decision Power. From wellness to chronic condition management to end-stage disease support. Because when it comes to health, there is more than one right answer.</p>

<sup>5</sup>This is federal tax information. State taxes may apply. Combined employer and employee contributions to an HSA can be up to the maximum annual HSA contribution limits, set by the IRS. Tax information is for general purposes only. For more detailed information about the tax implications of an HSA, please contact a professional tax advisor.

<sup>6</sup>Investments in HSAs are not FDIC insured, may lose value and are not bank guaranteed. For further information about HSA administration, and the HSA investment options, call Bank of America Customer Care at 1-800-992-3200, Monday through Friday, 8:00 a.m. to 11:00 p.m. Eastern time.

### *The HSA Visa® debit card from Bank of America*

Employees can conveniently pay for qualified medical expenses with their Bank of America HSA Visa debit card.

**At the pharmacy** – Employees can access HSA funds immediately, wherever Visa debit cards are accepted.<sup>7, 8</sup>

**For medical visits** – Payments are usually made after the provider submits the bill to Health Net. This allows Health Net to apply plan coverage, provider rates and discounts. An Explanation of Benefits (EOB) is sent to the insured describing exactly what they owe; they can then:

- pay using their Bank of America HSA debit card (for example, over the phone, or on the next visit<sup>8</sup>); or
- pay the provider by other means such as a personal check, and they can then reimburse themselves by completing an online electronic reimbursement from their HSA to their personal checking or savings account.

### *How employees enroll*

1. Employees enroll in a Health Net HSA-compatible PPO insurance plan by completing their Health Net enrollment forms. Return these completed forms to your Health Net agent.
2. You complete the Bank of America **Employer Group Set-up Form and Client Services Agreement** in order for your HSA program to be established. (These forms will be provided to you by your Health Net agent.) Fax the completed Bank of America forms to the number noted on the form.
3. Bank of America will send you an email notifying you that your group's application has been received, and if any additional information is required.

<sup>7</sup>HSA-compatible PPO insurance plans have combined medical and pharmacy deductibles. This means that insureds are responsible for the full cost of the prescriptions (usually at Health Net's negotiated rates) until the combined deductible has been met. Once the deductible is met, insureds will only be responsible for copayments or coinsurance for covered prescriptions.

<sup>8</sup>Provider acceptance and billing methods may vary.

<sup>9</sup>Combined employer and employee contributions to an HSA can be up to the maximum annual HSA contribution limits, set by the IRS. The "catch-up" contribution for individuals 55 and older, until they enroll in Medicare, is \$1,000 in 2016 and 2017.

4. Bank of America will send you a letter confirming that your HSA group has been set up, along with your employer online portal access and group ID.
5. Sign into your account at **[www.bankofamerica.com/benefitslogin](http://www.bankofamerica.com/benefitslogin)** to download the employee online enrollment instructions form. This form should be updated to include your group ID. You can email this form to your employees to assist them in their online HSA enrollment.
6. Instructions for employee Bank of America HSA online enrollment:
  - Visit **[www.bankofamerica.com/benefitslogin](http://www.bankofamerica.com/benefitslogin)** (if you do not have online access, contact your employer).
  - Under "Enroll in a Group HSA," click *Continue*.
  - Enter the group ID provided by your employer.
  - Follow the prompts to complete and submit your application.
7. Once Health Net sets up your group in our systems, Health Net will send your employees a Health Net ID card.
8. Bank of America will send your employees an HSA welcome kit followed by the HSA Visa debit card within 10–12 business days.
9. Employees can use their HSA debit card to pay for qualified medical expenses and start saving money with their HSA.
10. **Employees can decide how much they would like to contribute to their HSA.** You can contribute to your employees' accounts as well. In 2016, the maximum allowable amounts are \$3,350 for individuals and \$6,750 for families. In 2017, the maximum allowable amounts are \$3,400 for individuals and \$6,750 for families.<sup>9</sup>



## Will EZ Access HSA work for my employees?

The following examples assume that plan deductibles have not been met. Medical and pharmacy expenses are rough estimates for illustrative purposes only.



### Case study #1 – The Lee Family of four

The Lee Family had a few medical situations the previous year. Even though their medical expenses were around \$1,500 last year, they decided to increase their HSA contribution to \$2,000 for the coming year. With a growing family, the increase gives the Lees peace of mind against unplanned medical expenses. The Lees will also pay their appropriate monthly plan premium and applicable deductible.

Covered service	Cost	Deductible	Health Net pays	Employee pays (using HSA account)
Four preventive care visits	\$480	Deductible is waived for preventive care <sup>10</sup>	\$480	\$0
Three unexpected office visits	\$225	Must first meet deductible	\$0	\$225
Five drug prescriptions	\$150	Must first meet deductible	\$0	\$150
One outpatient surgery	\$500	Must first meet deductible	\$0	\$500
Six physical therapy visits	\$360	Must first meet deductible	\$0	\$360
<b>Total medical expenses</b>				\$1,235
<b>Balance left in HSA account</b> (\$2,000 HSA – \$1,235 expenses)				\$765
<b>Tax savings<sup>11</sup></b>				\$660 Based on the Lee's 33% tax bracket, their tax savings is <b>\$660</b> for an effective contribution cost of only \$1,340.

### Case study #2 – Chelsea

During the previous year, Chelsea had routine preventive services and also experienced several mild illnesses. So based on her medical expenses from a year earlier, she chose to contribute a total of \$300 to her HSA for the coming year. In addition, she will also pay her appropriate monthly plan premium and applicable deductible.

Covered service	Cost	Deductible	Health Net pays	Employee pays (using HSA account)
One preventive care visit (covered at 100%)	\$120	Deductible is waived for preventive care <sup>10</sup>	\$120	\$0
Routine OB/GYN visit (covered at 100%)	\$122	Deductible is waived for preventive care <sup>10</sup>	\$122	\$0
Three unexpected office visits	\$192	Must first meet deductible	\$0	\$192
Two drug prescriptions	\$150	Must first meet deductible	\$0	\$150
<b>Total medical expenses</b>				\$342
<b>Balance left in HSA account</b> (\$300 HSA – \$342 expenses)				(\$42)
<b>Tax savings<sup>11</sup></b>				\$75 Based on Chelsea's 25% tax bracket, her tax savings is <b>\$75</b> for an effective contribution cost of only \$225.

<sup>10</sup>Applies to nongrandfathered (NG) plans effective September 23, 2010, or later. \$0 member cost-share applies to preventive care visits and preventive OB/GYN visits with in-network providers only.

<sup>11</sup>Case study and tax savings examples are for illustrative purposes only. For more detailed information about the tax implications of an HSA, please contact a professional tax advisor.

## *HSA questions and answers*

### **What is a Health Savings Account (HSA)?**

An HSA is an individually owned savings account, similar to an IRA or 401(k) retirement plan, except that funds are used to pay for health care costs. An HSA provides consumers with a tax efficient method of saving and paying for qualified medical expenses.

### **Who is eligible for an HSA?**

An individual can contribute to an HSA only if he or she is enrolled in an HSA-compatible, high-deductible health plan. Also, the account owner must not be enrolled in Medicare, claimed as a dependent on another's tax return, or enrolled in another health plan that is not a high-deductible health plan.<sup>12</sup>

### **What is an HSA-compatible, high-deductible health plan?**

An HSA-compatible, high-deductible health plan is one that, in 2016 and 2017, has a combined medical and pharmacy deductible of at least \$1,300 (individual) and \$2,600 (family). Maximum out-of-pocket expenses are \$6,550 (individual) and \$13,100 (family)<sup>13</sup>.

### **What are the tax advantages of an HSA for enrollees?**

Individuals can contribute to an HSA and earn interest on the funds, free of federal income taxes. Once the HSA balance reaches \$1,000, enrollees may choose to invest any

dollar amount above this in a selection of mutual funds. These earnings are also free of federal income tax. Withdrawals to pay for qualified medical expenses are also tax-free.<sup>14</sup>

### **Can I contribute to my employees' HSAs?**

Yes. You can contribute to your employees' accounts.

### **What are the tax advantages of an HSA for employers?**

Employer contributions are not subject to FICA or FUTA taxes.<sup>14</sup>

### **What are qualified medical expenses?**

Qualified medical expenses include medical and pharmacy deductibles and copayments; routine physical exams; routine gynecological exams; well-baby and well-child care; eye exams, eyeglasses, contact lenses, corrective LASIK eye surgery; hearing aids; orthodontia; expenses in excess of medical, dental and vision plan limits; and prescription drugs (including insulin).<sup>15</sup>

A complete list of qualified medical expenses can be found in IRS Publication 502 – Medical and Dental Expenses at [www.irs.gov](http://www.irs.gov). Simply enter “502” in the Search field.

### **How does the combined medical and pharmacy deductible work?**

Unlike most plans, the deductible in an HSA-compatible PPO plan applies to the pharmacy benefit, as well as the medical benefit.



Benefit from a Health Savings Account (HSA) by saving money into a tax-advantaged account for current and future qualifying medical expenses.

<sup>12</sup>Exceptions include EAP plans, disease management programs, wellness programs and “limited purpose” HRAs and FSAs, AD&D, disability, vision, dental, long-term care, workers’ compensation, or limited coverages, such as those for a specific disease or illness that pay fixed amounts per day of hospitalization.

<sup>13</sup>There is a catch-up contribution amount for participants age 55 and older, until they enroll in Medicare, of \$1,000 per eligible account in 2016 and 2017.

<sup>14</sup>This is federal tax information only. State taxes may apply. Tax information is for general purposes only. For more detailed information about the tax implications of an HSA, please contact a professional tax advisor.

<sup>15</sup>Qualified medical expenses generally do not include premiums paid for health coverage except for COBRA insurance, qualified long-term care insurance, health insurance for individuals receiving unemployment compensation, Medicare, and retiree health insurance. Medicare Supplement premiums are not qualified medical expenses.

- **Self-only coverage:** Insureds pay the full cost (at Health Net's negotiated rates) for all prescriptions and covered medical expenses until their deductible is met.
- **Family plan coverage:** If two or more people enroll in an HSA-compatible plan, they are subject to a family deductible. This means that all insureds pay the full cost of prescriptions and other medical expenses until their combined family deductible is met.

#### ***How else can HSA funds be used?***

HSA funds can be withdrawn for any purpose. Amounts withdrawn to pay for qualified medical expenses are not taxable (federal). Amounts withdrawn for other reasons are taxable and may be subject to 20% penalty tax from the IRS. The penalty tax does not apply to amounts withdrawn for nonqualified medical expenses if one is disabled or has reached age 65.

#### ***What other features does an HSA offer?***

The HSA belongs to the individual and is portable. There's no "use it or lose it." The unused funds roll over year after year and continue to earn interest.

Individuals keep and can use existing funds if they leave or terminate employment. HSA funds can be transferred tax-free to a spouse upon death, or as taxable transfers to an estate or other beneficiary.

#### ***How much can be contributed to an HSA?***

In 2016, the maximum annual contribution is \$3,350 for individuals and \$6,750 for families. In 2017, the maximum annual contribution is \$3,400 for individuals and \$6,750 for families. Individuals age 55 and older, until they enroll in Medicare, can make an additional "catch-up" contribution of \$1,000 in 2016 and 2017.

#### ***Are there additional maintenance fees associated with an HSA?***

Individuals who enroll in a Health Net EZ Access HSA plan are entitled to a 22% savings from the regular market rate monthly \$4.50 maintenance fee. Enrollees will be assessed a reduced monthly fee of \$3.50 in order to maintain their accounts. All remaining fees found in the Bank of America HSA schedule of fees will remain the same as posted on the Bank of America website, [www.bankofamerica.com/benefitslogin](http://www.bankofamerica.com/benefitslogin). For more information, please call Bank of America Customer Care at 1-800-992-3200, Monday through Friday, 8:00 a.m. to 11:00 p.m. Eastern time.

## *Decision Power®: Health & Wellness*

There's one thing we know after 35 years in the business of health – Everyone's different. The most important step people can take to reverse the health patterns that lead to higher costs and lower economic output is the one they are least likely to take: engage in their health. Decision Power is the bridge to action.

Health Net's Decision Power helps reduce high-cost service utilization and supports workplace productivity through knowledge. It connects with people wherever they are in the full spectrum of health, and then supports them in making the decisions that are right for their health and their life.



**Online at [www.healthnet.com](http://www.healthnet.com):**

**Health Risk Questionnaire (HRQ)** – The gateway to ongoing recommendations and resources based on each enrollee's unique health profile and goals. Among the highlights: Insureds receive email alerts on information and action steps to take based on their HRQ results.

**Step-by-step plans** for losing weight, smoking cessation and nutrition are delivered through online programs and self-help tools. Coaching support is included to facilitate lasting, healthy changes.

**Personal Health Record (PHR)** – captures the self-reported data from an enrollee's HRQ, claims data (when enrollees set up the record to do so), and any immunization and test records they enter, so they can manage

and track their health. Based on the PHR, suggested next steps and items to discuss with their doctor are automatically sent to enrollees.

**Medication Center** – tracks prescription drug history and provides important education about drug interactions.

**Mental health support** – provides resources for depression, alcohol use, eating disorders, etc.

**Tools** – includes health trackers (cholesterol, diet, fitness), a treatment cost estimator and a hospital comparison report.

Decision Power is our long-term investment in the health of your organization. And one more way we're working in partnership with you to combat the cost of health care and achieve true consumer-directed health.

**Decision Power from Health Net** – It's what works for business.

## *Contact us*

For more information about our EZ Access HSA Program, please call your broker or Health Net consultant.

[www.healthnet.com](http://www.healthnet.com)

### **Bank of America Customer Care**

1-800-992-3200, Monday through Friday,  
8:00 a.m. to 11:00 p.m. Eastern time.

[www.bankofamerica.com/benefitslogin](http://www.bankofamerica.com/benefitslogin)

Members have access to Decision Power through enrollment with Health Net Life Insurance Company in California or Health Net Health Plan of Oregon, Inc. in Oregon and Washington (Health Net). Decision Power is not part of Health Net's commercial medical benefit plans. It is not affiliated with Health Net's provider network, and it may be revised or withdrawn without notice. Decision Power services, including clinicians, are additional resources that Health Net makes available to enrollees.

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