



HealthFlex Consumer-Driven Health Plan Frequently Asked Questions for Participants

OVERVIEW

Q: What is a consumer-driven health plan (CDHP)?

A: A CDHP is a type of health insurance plan that allows members (participants) to use an employer-provided health reimbursement arrangement (HRA, also called a “health reimbursement account”) to pay health care expenses directly, while a high-deductible health insurance policy protects the participant from catastrophic medical expenses. The plan design encourages covered individuals to more actively choose their health care providers, manage their health expenses and improve their health with respect to factors that they can control—while being mindful of the HRA funding provided by HealthFlex (the “Plan”) and the plan sponsor/employer (if applicable).

Q: Why is this called a “consumer-driven” health plan?

A: Because you (the consumer) help control how your health care dollars are spent. The CDHP plan design encourages you to be actively involved in choosing your health care providers, managing your health expenses and improving your health with respect to factors that you can control. For example, you might choose generic medications (when available) instead of more expensive name-brand drugs, or you might go to an urgent care center rather than a hospital emergency room for a non-life-threatening medical concern.

Q: How is the CDHP plan different from a traditional health plan?

A: The CDHP sets aside a specific amount of money into the HRA each plan year for you (the participant). The HRA funds pay for eligible health care expenses that are often applied to your deductible. You will pay any remaining deductible amount before Plan benefits begin (i.e., before the HealthFlex plan pays). Unused HRA funds roll over year to year as long as you remain in the CDHP. Most preventive and wellness services are covered at 100% *without first paying a co-payment*.

Q: Does a CDHP have an approved network of providers (hospitals, physicians and other health care providers)?

A: Yes. Similar to a preferred provider organization (PPO) plan, you will experience greater savings or receive higher benefits when you use network providers. The CDHP uses the same in-network PPO providers as other HealthFlex plans.

ABOUT HRAS AND DEDUCTIBLES

Q: What is an HRA?

A: An HRA is an Internal Revenue Service (IRS)-approved program that allows an employer to reimburse eligible medical expenses incurred by participating employees as a tax-free medical benefit to offset health care costs. HealthFlex allows credit balances in your HRA account to be rolled over from year to year somewhat like a savings account, with no limit to the amount rolled over. A HealthFlex HRA reimburses all eligible items covered by a flexible spending account (FSA) that are not covered by the participant's CDHP benefit design.

Q: How much does the Plan fund into each HRA?

A: The Plan (HealthFlex) funds \$1,000 annually for individual coverage each year you are enrolled in a HealthFlex CDHP plan. The HRA will be funded with an additional \$1,000 annually if you have dependents covered by the HealthFlex CDHP (annual HRA total = \$2,000 per family).

Q: Does the Plan fund the same amount into the HRA for "off-anniversary" enrollments?

A: The Plan will fund \$1,000 annually for individual coverage and \$2,000 annually for coverage with dependents ("family coverage") if enrollment is effective on or before July 31. The Plan will fund \$500 annually for individual coverage and \$1,000 annually for coverage with dependents if enrollment is effective after July 31.

Q: Can I contribute money to my HRA?

A: No. Only your employer (plan sponsor) can contribute additional dollars above the original \$1,000 amount funded by the Plan (HealthFlex). As a participant, you cannot contribute your own money to the HRA.

Q: What happens to the unused portion of my HRA after the plan year?

A: At the end of the plan year, unused HRA funds are rolled over to your HRA for the next plan year.

Q: Is there a limit to how much money can accumulate when unused HRA funds are rolled over?

A: No. There is no HRA rollover limit.

Q: Can I or my employer/plan sponsor control how the plan sponsor-contributed HRA dollars are used?

A: No. Whether funds are contributed by the plan sponsor or HealthFlex, all funds in the HRA must follow usage guidelines set by HealthFlex.

Q: Does the CDHP have a deductible?

A: Yes, like most other PPO insurance plans, the CDHP includes an annual medical deductible. A deductible is a fixed amount you are required to pay before health care benefits (payment by the Plan) begin. The HRA pays a portion of the deductible, and then you are responsible for paying the remaining portion of the deductible. However, certain eligible preventive and wellness services are covered by the Plan—and **are not** subject to the annual deductible or co-payments.

Q: What is the medical deductible under the HealthFlex CDHP?

A: The medical deductible for the HealthFlex CDHP is \$2,000 for an individual or \$4,000 for a family.

Q: What expenditures are eligible for HRA reimbursement?

A: A HealthFlex HRA reimburses all eligible items covered by an FSA that are not covered by the participant's CDHP benefit design.

Q: Are health plan premiums eligible for HRA or FSA reimbursement?

A: No. Health plan premiums cannot be reimbursed from an HRA or FSA. However, premiums may be deducted on a pre-tax basis from your payroll under a separate salary-reduction agreement with your salary-paying unit.

Q: Is the pharmacy benefit subject to the CDHP \$2,000 medical deductible?

A: No. Pharmacy costs are not subject to the CDHP \$2,000 medical deductible. There continues to be first-dollar coverage for eligible pharmacy costs (subject to the co-payments and co-insurance as defined by the pharmacy benefit design utilized in the CDHP). In 2011, the CDHP will utilize the Percentage Co-Payment Plan 2 (P2). *However, your pharmacy out-of-pocket expenses can be applied against the FSA and HRA.*

Q: Are behavioral health benefits subject to the CDHP \$2,000 medical deductible?

A: Yes. Recently released federal mental health parity regulations mandate health plan medical and behavioral benefits to have shared deductibles, co-insurance and co-payments (out-of-pocket expenses). *However, your behavioral health benefits can be applied against the FSA and HRA.*

Q: Do I have to pay for preventive medical services from my HRA?

A: Most preventive medical services—such as routine physical exams, age-based diagnostic testing and immunizations—are covered under the CDHP when you receive care from in-network providers, so you would not pay for these services.

Q: Can the money in the HRA be used for gym memberships?

A: No. HRA and FSA monies may not be used for gym or health club memberships.

Q: How do I access HRA dollars?

A: You will access your HRA dollars through a debit card that will be pre-funded with the applicable HRA dollars. The debit card and details about how to use the card will be provided by Ceridian, which partners with HealthFlex to administer the HRA and FSA benefit.

FSAs AND HRAS

Q: Can I have a medical FSA if I am in a CDHP?

A: Yes. You may combine a medical FSA (also called the “medical reimbursement account” or “MRA”) with an HRA.

Q: Can I use the debit card with my FSA?

A: Yes. You will use the debit card for both the HRA and the FSA (if you elect to contribute to an FSA). Details about how to use the debit card for your FSA and HRA will be provided by Ceridian, which partners with HealthFlex to administer both benefits.

Q: Can I choose to use either my HRA or FSA dollars first to cover health care expenses?

A: No. Based on the plan's design, *the FSA always pays first; then the HRA pays*. This is because FSA dollars are subject to the "use it or lose it" rule, so you risk losing your unspent FSA dollars at the end of a plan year and grace period. In contrast, HRA dollars can roll over from year to year if they are not spent.

Q: I currently have automatic reimbursement ("auto-pay") for my FSA. How will this coordinate with an HRA?

A: The auto-pay function is no longer needed because reimbursement from both the HRA and FSA will be facilitated through the use of a debit card. You will be able to use the debit card either at the "point of service" where you incur the eligible health-related expenses (the doctor's office, for example) or after the claim for the expense is processed by calling your provider and supplying them with your debit card number.

Q: If I have an HRA but not an FSA, or if I use up all my FSA funds, do claims always need to be applied to the HRA? Can I choose to pay out of pocket instead?

A: You have the option to pay for health expenses "out of pocket" (on your own), instead of using your available HRA funds.

MORE ABOUT THE HRA

Q: Does the HRA account earn interest?

A: No. The HRA account does not accrue interest or earnings of any sort.

Q: Are there any tax consequences for money I have in the HRA?

A: HRAs are tax-exempt when provided by an "employer"—just as group health coverage and other "accident and health coverage" are tax-exempt. The IRS issued several rulings in the early 2000s which state that amounts an employer contributes to a properly-run HRA (meaning the HRA only reimburses expenses permitted under Code §213(d)), amounts rolled over from year to year, and amounts reimbursed to an employee by the HRA are excluded from the employee's taxable income under Codes §§105 and 106.

Q: Can I use HRA funds for emergency or hardship purposes, even though these expenses do not meet HRA-eligible expense guidelines?

A: No. HRA funds are not accessible for hardship purposes.

LEAVING THE PLAN (INCLUDING TRANSFERS AND RETIREMENT)

Q: If I voluntarily leave the CDHP to be in an optional HealthFlex PPO plan, what is done with my HRA fund balance?

A: Any HRA balances *under \$50* will be forfeited. If your HRA balance is *more than \$50*, the HRA balance will be available for you to use for up to one year from the date you leave the CDHP and select the PPO. After one year, any unused fund balances would be forfeited. If you return to the CDHP within one year, your unused HRA funds would again be available for your use.

Q: If my employer decides to no longer offer the CDHP, what is done with my HRA fund balance?

A: Any HRA balances *under \$50* will be forfeited. If your HRA balance is *more than \$50*, the HRA balance will be available for you to use for up to one year from the date the plan sponsor ceases offering the CDHP. After one year, any unused fund balances would be forfeited.

- Q: If I am a clergyperson (in an annual conference that is a plan sponsor in the CDHP) and I get reappointed to an annual conference that does *not* offer the CDHP, what happens to my HRA balance?**
- A:** The HRA balance is frozen. If you move again to an annual conference that offers a CDHP through HealthFlex, your HRA balance would be unfrozen. Remember that HRA funds are contributed by HealthFlex (and, possibly, your employer/plan sponsor). *You* don't contribute any of your own money to the HRA. While your HRA funds are frozen, you will not be able to use them.
- Q: If I am a clergyperson enrolled in the CDHP and I transfer to another conference that also offers a CDHP, does my HRA balance go with me—or do I start over with a \$0 balance?**
- A:** The HRA balance would follow you to your next conference, if a HealthFlex CDHP is available in both conferences. If you transfer to a conference that does not have a HealthFlex CDHP, then any fund balances *under \$50* would be forfeited. If the fund balance is *more than \$50* (per individual), the fund balance would then be available for you to use for HRA- and FSA-eligible expenses for up to one year from the date you leave the HealthFlex CDHP. After one year, any unused fund balances would be forfeited.
- Q: When I retire, can I use remaining dollars in my HRA?**
- A:** Yes. HRA balances at the time of retirement may be used for eligible health care-related expenses, including retirement medical products and plans outside of HealthFlex. To be eligible, you must satisfy the retiree eligibility rules of both HealthFlex and your plan sponsor (employer). Your HRA balance will be available for your use even if your plan sponsor does not sponsor retiree health coverage through HealthFlex.
- Q: If I retire (and leave the CDHP) but my dependents remain covered in the CDHP, what happens to any accumulated HRA fund balance?**
- A:** Both you and your covered dependents may use the accumulated fund balance available at the time you retire. Additional funds contributed to the HRA by your plan sponsor after you retire would only be available to your covered dependents.
- Q: If my dependents remain in the CDHP after my retirement, would new debit cards need to be issued?**
- A:** No. The debit cards would accommodate the change in coverage and which accumulated funds would be available to whom.
- Q: How would the HRA work for a family that gets \$2,000 funded in their HRA and one of the family members has a major medical incident? Would the \$2,000 be available to the person who incurred the major medical expense?**
- A:** Yes. As a family plan (or a plan with a primary participant and at least one covered dependent), any of the family members would have access to the entire \$2,000 (or more if a larger HRA balance had accumulated).

BECOMING MORE INVOLVED AS A HEALTH CARE “CONSUMER”

Q: How can a CDHP truly “change health behavior”?

A: The goal of a CDHP is to introduce “consumerism” to health care decision-making. Consumerism advocates participants’ involvement in their own health care decisions. Individuals should assume greater responsibility for decisions affecting their health care. Consumerism engages you as a plan participant to take a more active role in choosing your health care providers, managing your health expenses and improving your health with respect to factors that you can control. Consumerism also encourages you to take charge of your health by maintaining wellness, practicing prevention and learning all you can about the health care system that serves you. The learning is facilitated by HealthFlex CDHP consumer education tools that allow you to research providers (e.g., hospitals and doctors) of all types with regard to cost, efficacy, quality and availability prior to “purchasing” the service. Consumer education tools—including Web-based tools—are available through Blue Cross Blue Shield, UnitedHealthcare and Medco.

Q: In trying to be a better health care “consumer,” will I be expected to avoid or forgo care that I probably should be getting? If so, will the result to my health be worse in the long run?

A: No. While that is a concern, the design of the CDHP should actually encourage you to seek out the care you need, knowing you have the protection of catastrophic coverage on the back end. The CDHP provides 100% coverage for wellness exams, exempts pharmacy costs from the \$2,000 medical deductible and provides the first \$1,000 of the HRA funded by HealthFlex.

Q: Will I be required to do anything different as a CDHP participant?

A: No, you will not need to do anything different administratively to have your claims covered by HealthFlex. However, how you decide to use or access care will change significantly in that you will now control how your first \$1,000 in health care services is spent. The design of the CDHP is intended to motivate you as a health care consumer to take a more active role in making decisions that can maintain or improve your health.

If your plan sponsor offers the CDHP in addition to another health plan, you will have the opportunity to choose either the CDHP or the other plan during the Annual Election period in November. Choosing a plan is done online. If you do not indicate your preference, you will automatically be enrolled in the plan option that your plan sponsor has designated as the “default” plan.

Some plan sponsors offer the CDHP only. In that case, you will not need to choose a plan during Annual Election.

Helpful Acronyms:

CDHP	consumer-driven health plan (usually high-deductible health coverage)
FSA	flexible spending account
HDHP	high-deductible health plan (a specific type of CDHP that is defined by the tax code and required for HSA eligibility)
HRA	health reimbursement arrangement (sometimes called a “health reimbursement account”)
HSA	health savings account
MRA	medical reimbursement account (a medical FSA under HealthFlex)
PPO	preferred provider organization