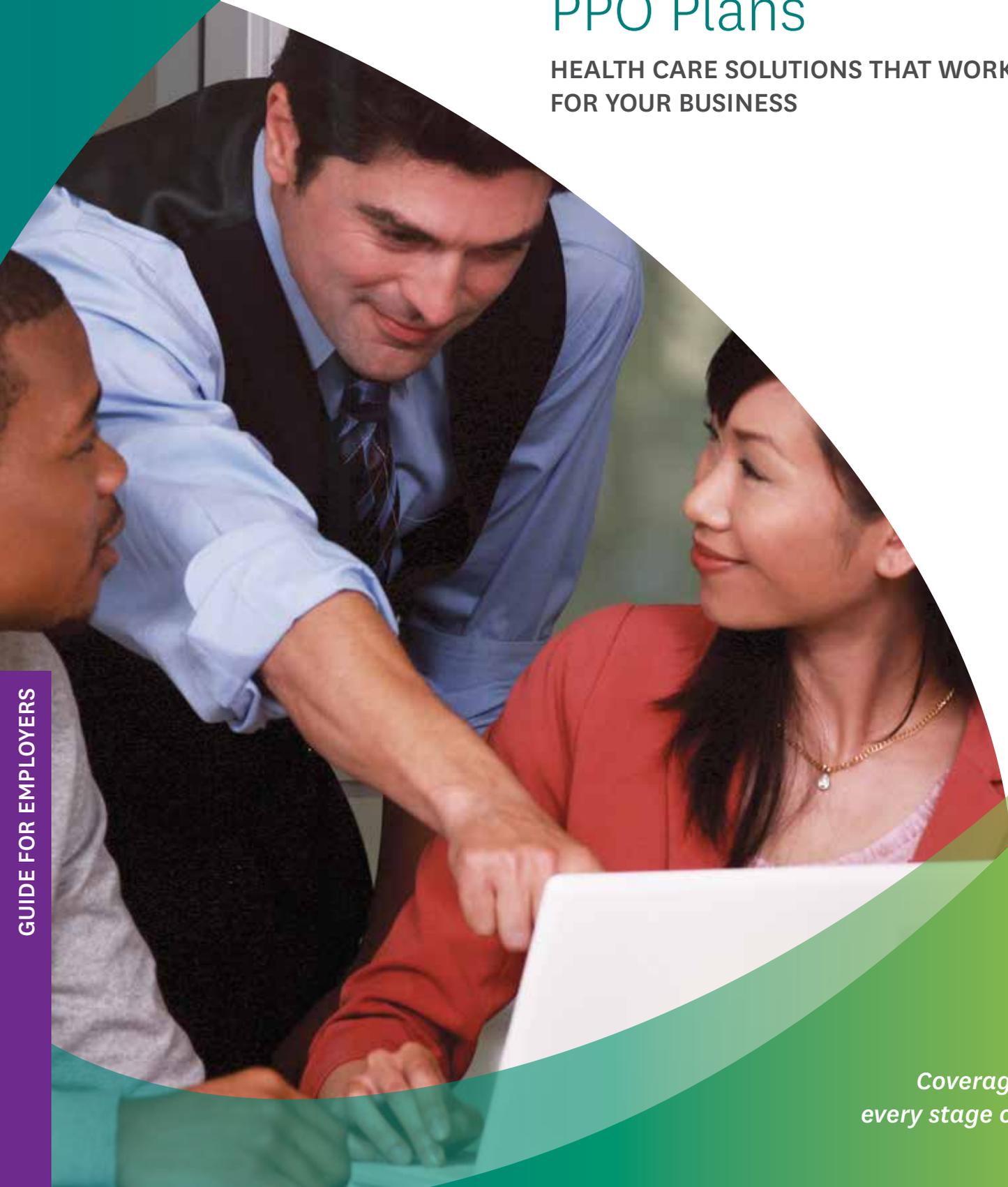




Health Net Life Insurance Company (Health Net)

2019–2020 HSA-Compatible PPO Plans

HEALTH CARE SOLUTIONS THAT WORK
FOR YOUR BUSINESS



GUIDE FOR EMPLOYERS

Coverage for
every stage of life™



Looking for a **smarter** way to **lower** your health care costs while providing comprehensive health insurance coverage?

Now you can, with Health Net's Health Savings Account (HSA)-compatible PPO plans.¹ Health Net's HSA-compatible PPO plans combine a PPO insurance plan with a Health Savings Account (HSA).

PPO insurance plans

Our low-premium, high-deductible PPO insurance plans give your employees greater freedom to visit the doctor of their choice without a referral. Plus, they get the benefit of in-network savings when using a provider, hospital or facility in our statewide contracted PPO network. (All other deductibles apply until combined out-of-pocket amounts are met.)²

Health Net offers you a PPO plan selection – a range of deductible options that give you more choice and flexibility in your coverage offerings.

HSA accounts

HSA accounts help your employees be more in control of their finances, and offer them tax benefits.³ As the employer, you have the freedom to choose which HSA custodian you will partner with to administer your employees' accounts.

Health Net partners with two administrators you can choose from – Bank of America and HealthEquity. Or you can work with an administrator of your choice.

BANK OF AMERICA

Offers non-integrated HSA accounts.
1-800-992-3200
hsaforlife@bankofamerica.com

If you will pay the monthly administration fee for your employees, go to:

www.healthbenefits.bankofamerica.com/EmployerSetup.aspx?code=BHN76DBF4

If your employees will pay the monthly administration fee, go to:

www.healthbenefits.bankofamerica.com/EmployerSetup.aspx?code=BHNOC3652

HEALTHEQUITY

Offers fully integrated HSA and HRA accounts.

1-866-382-3510
employerservices@healthequity.com
www.healthequity.com/sales/healthnetca/



These smart plans are an effective way for you to take a consumer-directed health care approach to the way you offer benefits.

HSA account Q&A

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 a 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.⁴

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

An HSA-compatible, high-deductible health plan is one that, in 2019, minimum combined deductibles are \$1,350 (individual) and \$2,700 (family);

maximum out-of-pocket expenses are \$6,750 (individual) and \$13,500 (family). In 2020, minimum combined deductibles are \$1,400 (individual) and \$2,800 (family). In 2020, maximum out-of-pocket expenses are \$6,900 (individual) and \$13,800 (family).⁵

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.⁶

What are the tax advantages of an HSA for me, the employer?

Employer contributions are not subject to FICA or FUTA taxes.⁶



HSA funds can be withdrawn for any purpose. Amounts withdrawn to pay for qualified medical expenses are not taxable (federal).





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

What are qualified medical expenses?

Examples of qualified medical expenses include medical and pharmacy deductibles and copayments; well-baby and well-child care; eye exams, eyeglasses, contact lenses, and corrective LASIK eye surgery; hearing aids; orthodontia; expenses in excess of medical, dental and vision plan limits; and prescription drugs (including insulin).⁷

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.

- **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 a 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? Can I contribute to my employees’ HSAs?

Employees can decide how much they would like to contribute to their HSA. You can contribute to your employees’ accounts as well. Combined employer and employee contributions to an HSA can be up to the maximum annual HSA contribution limits set by the IRS.

In 2019, the maximum annual contribution is \$3,500 for individuals and \$7,000 for families. In 2020, the maximum annual contribution is \$3,550 for individuals and \$7,100 for families. Individuals ages 55 and older, until they enroll in Medicare, can make an additional “catch-up” contribution of \$1,000 in 2019 and 2020.



Are there additional maintenance fees associated with an HSA?

Employees who enroll in a HSA-compatible PPO plan may be assessed a monthly fee by the HSA account administrator. Talk with your chosen HSA account administrator for more information.

Will an HSA-compatible PPO work for my employees?

We've created a couple of case studies that will help build the big picture. These examples assume that plan deductibles have not been met. Medical and pharmacy expenses, and tax savings, are 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 ⁸	\$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
Total medical expenses				\$1,235
Balance left in HSA account (\$2,000 HSA – \$1,235 expenses)				\$765
Tax savings: \$660 (based on the Lees' 33% tax bracket, their tax savings is \$660 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 ⁸	\$120	\$0
Routine OB/GYN visit (covered at 100%)	\$122	Deductible is waived for preventive care ⁸	\$122	\$0
Three unexpected office visits	\$192	Must first meet deductible	\$0	\$192
Two drug prescriptions	\$150	Must first meet deductible	\$0	\$150
Total medical expenses				\$342
Balance left in HSA account (\$300 HSA – \$342 expenses)				(\$42)
Tax savings: \$75 (based on Chelsea's 25% tax bracket, her tax savings is \$75 for an effective contribution cost of only \$225)				



Extras that count

Every Health Net HSA-compatible PPO plan comes complete with valuable extras, including:

- **Decision Power[®]** – An integrated program created to engage people in their health. With personalized tools and achievable goals, our members can feel confident in their ability to make positive and lasting behavioral changes. Decision Power helps members build healthy habits and make informed decisions, at no extra charge:
 - Get help with a specific health goal.
 - Track diet, exercise or cholesterol.
 - Try online health promotion programs.
 - Learn about health risks.
 - Explore treatment options.
 - Adapt to living with illness.

- **Health Improvement Programs** – Providing interactive ways to address and improve health risk factors.
- **Decision Power Healthy Discounts** – Value-added discounts on lifestyle improvements, services, products, and more to support our members' health goals.
- **www.healthnet.com** – Our dynamic website gives you and your employees just what you need, with simple navigation and easy-to-find information, for an interactive and satisfying health plan experience.

Enroll today!

Contact your broker or Health Net sales consultant to learn more about our HSA-compatible PPO plans and the advantages they can offer your business.

¹The health insurance benefits are underwritten by Health Net Life Insurance Company. Health Net Life Insurance Company is a subsidiary of Health Net, LLC. Health Net Life Insurance Company is not affiliated with your chosen Health Savings Account custodian.

²Plan 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.

³Tax information is for general purposes only. For more detailed information about the tax implications of an HSA, please contact a professional tax advisor.

⁴Exceptions 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.

⁵There is a catch-up contribution amount for participants ages 55 and older, until they enroll in Medicare, of \$1,000 per eligible account in 2019 and 2020.

⁶This 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.

⁷Qualified 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.

⁸Applies 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.

Members have access to Decision Power through enrollment with Health Net Life Insurance Company (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.

Health insurance benefits are underwritten by Health Net Life Insurance Company. Health Net Life Insurance Company is not affiliated with your chosen Health Savings Account custodian. Health Net Life Insurance Company is a subsidiary of Health Net, LLC. Health Net and Decision Power are registered service marks of Health Net, LLC. All other trademarks/service marks remain the property of their respective companies. All rights reserved.