High Deductible Health Plans (HDHP) & Health Savings Accounts (HSA)

Town of Glastonbury

How a High deductible Health Plan (HDHP) Works

The Anthem and Connecticare High Deductible Health Plans (HDHP) offered by the Town of Glastonbury are medical plan options that work in a similar manner to the “traditional plans”, but have a few significant differences that enable you to make eligible contributions to a Health Savings Account (HSA).

Except for in-network preventive care (which is covered at 100%) you must meet **the full annual deductible** before the plan pays benefits. Once you meet the annual deductible, the plan pays 100% of the cost of covered services.

Enrolling in the HSA

If you enroll in a HDHP and would like to contribute to the HSA, please be aware of the IRS restrictions for HSA participants:

You may not be enrolled in Medicare or receiving Social Security Benefits

You may not have any other non-HDHP medical coverage (such as through your spouse or domestic partner).

You are responsible for ensuring that you satisfy these requirements.

An HSA is an individual financial account (like a bank account) owned by you that grows with interest. It’s up to you to manage your money and account activity and be able to substantiate any withdrawals you make that qualify as medical deductions for tax purposes.

You may open a HSA account at the bank of your choice. Complete a HSA Direct Deposit Form which is available on the IntrAnet.

The Health Savings Account (HSA)

The ability to establish an HSA is an important factor to consider when evaluating the HDHP Plans. The HSA provides you with a valuable opportunity to build a personal fund that you can use to pay for current and future qualified health care expenses – tax free. Like an individual retirement account (IRA), you put away money before-tax and investment returns are tax sheltered.

If you are enrolled in a HDHP and are participating in the HSA, The Town of Glastonbury will make an annual employer contribution to assist you in paying for your eligible health care expenses, whether incurred now or in the future. The Town HSA contribution is 75% of the annual deductible ($1,125 for single/$2,250 for double or family coverage). The Town will make two deposits into your HSA per plan year; half of the amount during the second pay period in July and the remainder during the second pay period in January.

For new employees covered under the HDHP for less than the entire plan year, you will receive a pro-rated contribution.

HSA Contribution Limits

HSA contribution limits for 2014 are $3,300 for single and $6,550 if you cover another family member. If you will reach age 55 during 2014, you are eligible to make an additional $1,000 catch-up contribution.

Be sure to consider the Town's contribution when setting your contribution limits – reduce your contributions, if necessary, to avoid exceeding the annual maximum contribution allowed by the IRS, when combined with the Town's contribution.

Why should you consider contributing to an HSA?

- You reduce your taxable income by the amount you contribute to your HSA each year.
- You do not pay taxes on the money you withdraw from your account to pay for qualified health care expenses- including dental and vision.
- You own your HSA; the money is yours. You do not lose your contributions if they are not used by the end of the calendar year – they carry over to subsequent calendar years. In fact, should you change your affiliation with the Town of Glastonbury in the future, your account goes with you.
- You can use the funds in your HSA to pay for health care expenses during retirement, including certain Medicare premiums and long-term care premiums.
- Before the age of 65, you can withdraw the money at any time and for any reason. However, it is important to note that withdrawals for expenses other than qualified health care expenses will be subject to income tax and an additional 20% tax penalty.

Approaching age 65 as an Active Employee…

As you approach the age of 65, there are some important decisions to make regarding your health insurance.

- Do I enroll in Medicare Part A?
- Do I enroll in a HDHP with a HSA?

At this year's open enrollment, if you will be turning 65 sometime during the upcoming policy period (7/1-6/30) and are planning to enroll in the HDHP, it's important to understand the following information:
If you are not collecting Social Security benefits, you can decline Part A coverage. If you decline Part A coverage, you preserve your HSA tax benefit.

If you plan to sign up for Medicare Part A:
The maximum annual contribution to your HSA (Town's contribution and your contributions) will be a pro-rata share based on the number of months you were eligible during the calendar year. (Example- if you turn 65 in November, the contribution into your HSA is only 4/12 of the annual amount because you would only be eligible during the months of July-October).

If you plan to decline Medicare Part A: You may make & receive pre-tax contributions to your HSA up to the annual maximum

This information provides a general overview. Please consult your financial advisor, tax accountant, etc., to discuss your personal circumstances.