High Deductible Health Plan (HDHP) Q&A

A High Deductible Health Plan (HDHP) is a medical program benefit design with coverage that starts after a relatively larger deductible has been met. The plan will then pay a high percentage of eligible expenses until a designated out-of-pocket maximum amount is reached. Thereafter, covered expenses are paid at 100% for the remainder of that year. The plan has a higher deductible paired with a lower monthly premium contribution which may be more economical for plan participants. Preventive care, including certain physical exams, routine diagnostic tests, mammograms and immunizations are covered 100% even before the deductible is met.

First, a participant will pay for all prescriptions, doctor's visits, hospital bills and other eligible medical services until the deductible is reached. **Note: Preventive care will be paid at 100% for in-network providers. Out-of-network providers are limited to reasonable and customary charges.**

Anthem Health Savings Account 1500/3000 10/30 HDHP Plan

Annual deductible

	In-network	Out-of-network
Individual	$1,500	$3,000
Family*	$3,000	$6,000

No medical services are covered until the deductible is met (except preventive care).

Once the deductible is met:

The plan will pay:	In-network	Out-of-network
Prescription Drugs	$15 Tier 1 /$30 Tier 2 $50 Tier 3 / 30% Tier 4	Participants will pay 30% of the cost of the drug up to a specified limit, then pay 100% of the cost beyond that specified limit.
All other eligible medical services:	90%	70%

Out-of-pocket maximum (including deductible):

	In-network	Out-of-network
Individual	$3,000	$ 9,000
Family	$6,000	$18,000

After the out-of-pocket maximum is reached, the plan will pay 100% of the eligible charges for the remainder of the plan year. (The in-network and out-of-network "tracks" are separate accounts so to speak and do not combine.)

* Either one or more family members must satisfy the full family deductible before any covered services will be paid by the plan, with the exception of preventive care services.

Health Savings Account (HSA)

A Health Savings Account (HSA) is a pre-tax health savings account for participants enrolled in a High Deductible Health Plan (HDHP). A participant can use funds in an HSA to pay for qualified medical expenses, or

save for the future. A participant may contribute funds to their HSA up to the annual IRS contribution limit and pay for qualified medical expenses with tax-free dollars. Any funds leftover in the account at the end of the plan year accumulate and may earn non-taxable interest or investment return over the life of the account. ***The dollars in the HSA are the participant's money***. They may choose Pepperdine's HSA plan vehicle or their own financial institution. The account balance is portable upon retirement or separation from Pepperdine. In other words, when a participant leaves Pepperdine, their account balance goes with them or to their estate, similar to their retirement plan fund. Enrollment in an HDHP is required to make contributions to an HSA. ***IRS regulations govern all HSA accounts and transactions and are subject to change.***

Frequently Asked Questions

Q. Is the High Deductible Health Plan (HDHP) right for me?
A. Only you can decide. However, it is important to understand– if you choose this coverage option– the plan will pay no benefits other than for preventive services until you meet the annual deductible of $1,500 if you have individual coverage, or $3,000 if you have family coverage.

Q. If I choose HDHP coverage, do I have to participate in a Health Savings Account (HSA)?
A. No. The decision to participate in an HSA is completely up to you. You may pay your medical deductible expenses however you choose via credit card, cash, etc.

Q. What are the eligibility requirements for contributing to an HSA account?
A. To be eligible to contribute, the individual:

- Must be covered by a qualifying High Deductible Health Plan (HDHP).
- Cannot be on Medicare.
- Cannot be covered by other health insurance that is not an HDHP (excluding accident plans or dental insurance plans).
- Cannot be eligible to be claimed as a dependent on another person's tax return.

Q. Why would I want to consider HDHP coverage?
A. Because this coverage has higher annual deductibles, you will pay lower employee contributions. By choosing HDHP coverage, you may participate in a Health Savings Account and you will only spend what you use. If you do not incur medical expenses, you will save and accumulate the money you contribute to the HSA account annually.

Q. If I choose the High Deductible Health Plan now, will I be able to elect coverage under a different medical option in the future?
A. Yes. You may change your election during any subsequent annual open enrollment. If you experience a qualified work or family status change you will be able to elect, change or waive coverage as permitted by IRS and HIPAA regulations.

Q. What will happen to the money in my HSA if I retire or separate from employment at Pepperdine?
A. The money in your HSA belongs to you and is portable upon retirement or separation. It will remain in your account until you elect to receive it.

Q. Is a Health Savings Account (HSA) right for me?
A. That's something only you can decide. However, if you elect HDHP medical coverage, participating in an HSA may enable you to pay (tax free) for your eligible medical expenses that apply against your HDHP deductible and out-of-pocket maximum.

Q. Can I participate in an HSA even if I don't elect HDHP coverage?
A. No. You can participate in an HSA only if you elect coverage under the HDHP.

Q. How much can I contribute to an HSA each year?
A. Each year you can contribute an amount equal to the annual IRS limit under the HDHP ($3,250 for single coverage; $6,450 for family coverage for 2013). If you are 55 years old or older, you can make an additional catch-up contribution of $1,000. ***IRS regulations govern all HSA accounts and transactions and are subject to change.***

Q. If I want to open an HSA, what should I do?
A. Employees should consult their own tax advisor to determine tax advantages and potential consequences for opening a Health Savings Account and ensure that eligibility requirements are met. You may elect to enroll in Pepperdine's HSA provider or an institution of your choice. You will need to find a bank, financial institution or investment firm that is registered to offer this type of arrangement. You might start by talking with a representative from your local bank. You should carefully evaluate the services and related fees of any bank, financial institution or investment firm you consider. Pre-tax salary reduction contributions may only be made to Pepperdine's chosen HSA Provider. If you choose your own provider, your contributions would be made on an after-tax basis and you would receive a tax deduction at the time you file your tax return.

Q. Will the investment earnings in my account be tax free?
A. Any earnings on your account may be tax free as long as you use this money to pay qualified medical expenses. If you use them for another type of expense, this money will become taxable income.

Q. What will happen to the money in my HSA if I choose a different medical option in the future?
A. It will remain in your account until you elect to receive it**. It is your obligation to report this money to the IRS if you use if for purposes other than a High Deductible Health Plan**.

Q. My spouse and I turn 65 this year and will sign up for Medicare. Will we still be able to use the money in our HSA?
A. Yes. Even though you can't contribute to an HSA after you sign up for Medicare, you can keep the account and use the money for medical expenses.