

# CIGNA CHOICE FUND® HEALTH SAVINGS ACCOUNT



A health plan plus a health savings account



# Agenda

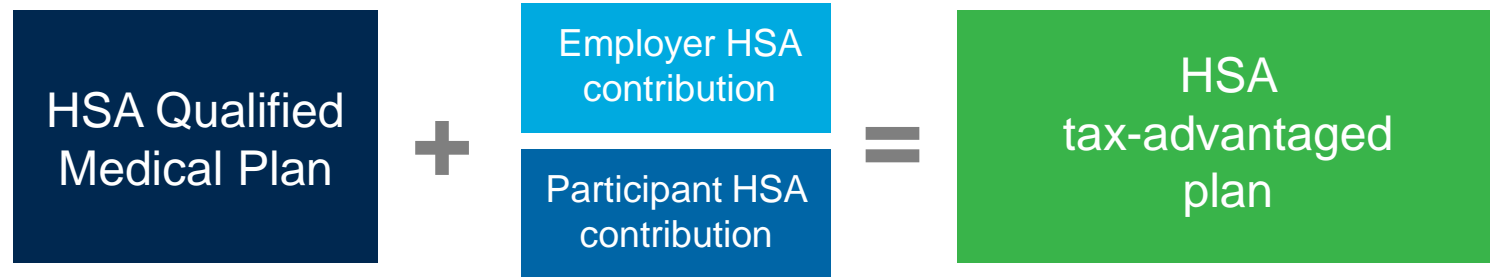
- > **What is the Cigna Choice Fund HSA and how does it work?**
- > **Benefits of an HSA**
- > **Managing an HSA**



# HSA COMPONENTS AND RULES OF THE ROAD



# What is the Cigna Choice Fund HSA?



**An HSA qualified medical plan – sometimes referred to as a High Deductible Health Plan (HDHP) – plus a Health Savings Account (HSA), which allows participants to contribute, save and use HSA dollars on a tax-advantaged basis.**

## Employer



Payroll withholding of employee HSA contributions

Employer contributions to employee HSA accounts

## Participant



Post-tax deposits or transfers to the HSA account

Transfers from other HSA accounts



# What is a qualified high deductible health plan (HDHP)?

## Deductible minimums

The minimum deductible is \$1,400 single and \$2,800 family.

All expenses (medical/pharmacy) are subject to a common deductible before the plan begins to pay. (If the single deductible is less than \$2,700, the family deductible must be collective)

Preventive care can be covered at 100% prior to deductible being met

## Out-of-pocket maximums

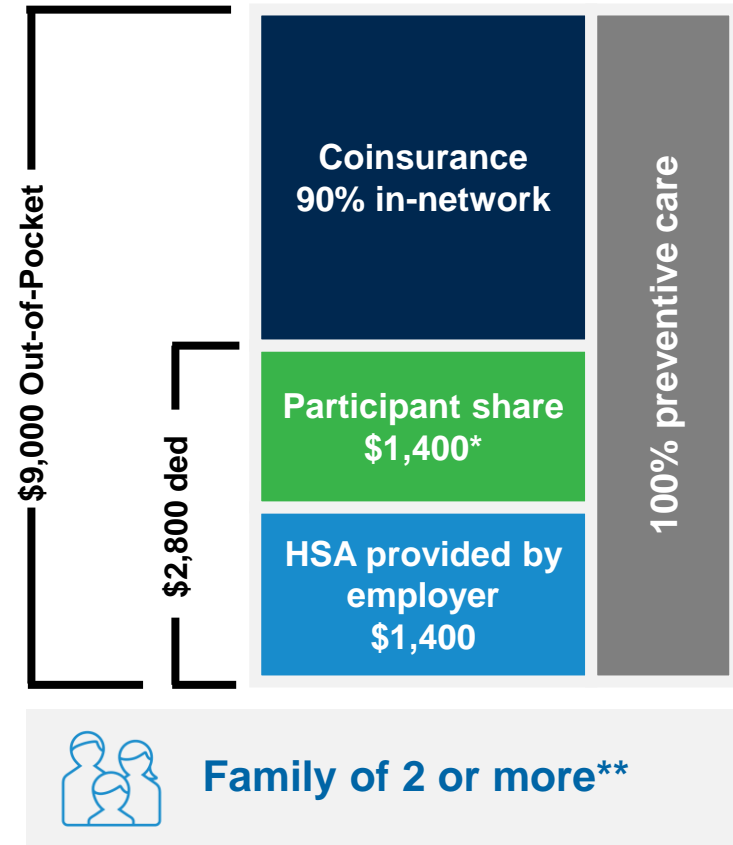
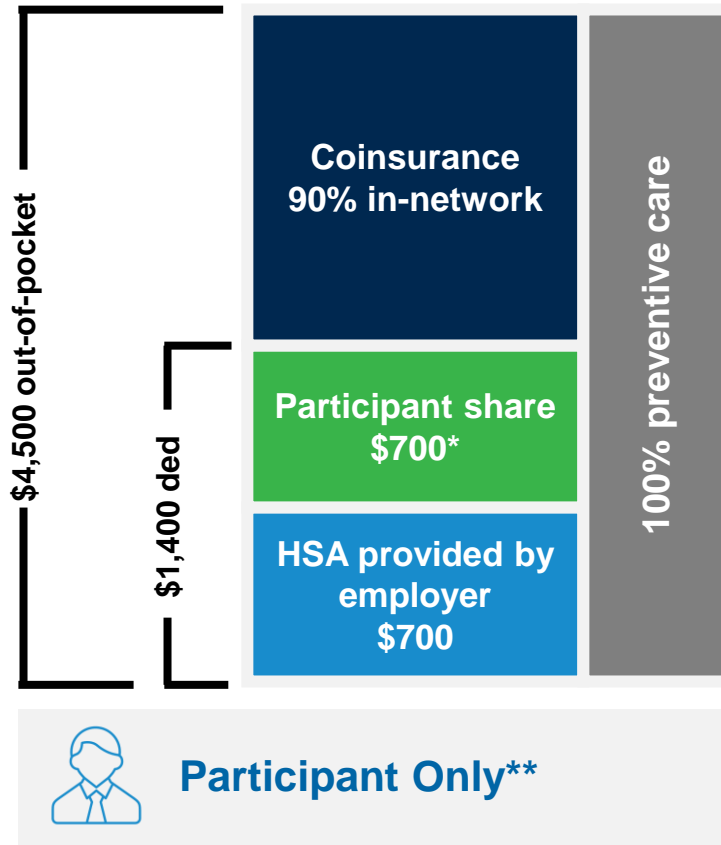
For 2021, the sum of the plan's annual deductible and other annual out-of-pocket requirements (other than plan contributions/premiums) cannot exceed \$4,500 single and \$9,000 family.

## 100% coverage once out-of-pocket met

Once the out-of-pocket maximum is met, the plan pays 100% for covered medical/pharmacy expenses



# HSA – understanding the components



\* With no additional contribution from employee

\*\* The above illustration is an example only. Your actual plan design/features may vary.

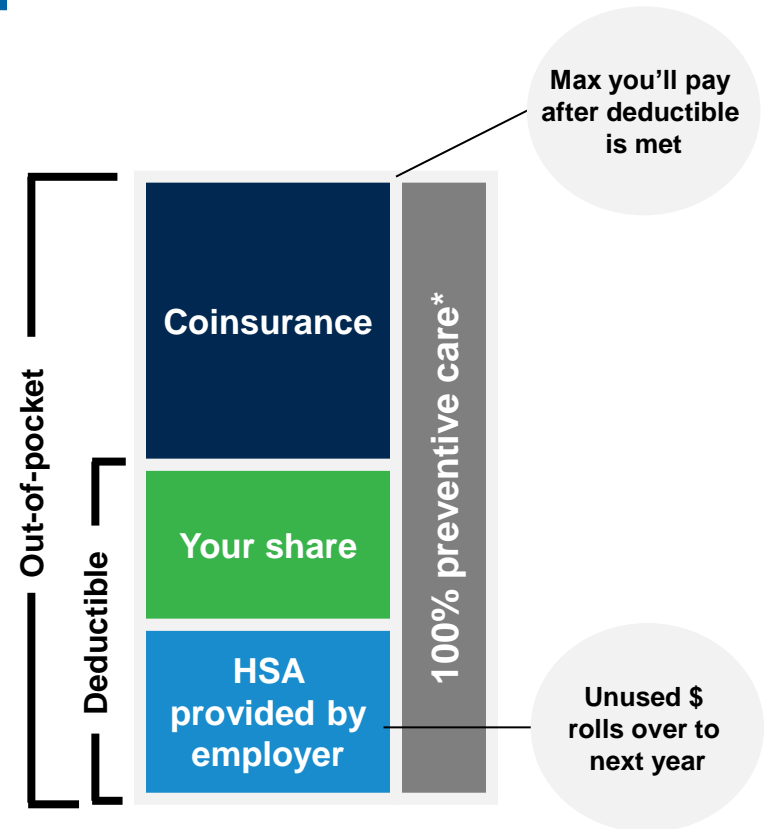
# How is this different from a traditional plan?

## Same

- Preventive care covered at 100%\*
- Plan begins to pay after deductible is met
- Coverage for routine, emergency and catastrophic care
- Plan pays higher percentage for covered in-network care
- Cigna receives claims, sends payment to doctors/hospitals

## Different

- Lower premium/plan contribution but higher deductible
- Plan begins to pay after deductible is met; however, funds in your HSA can be used to cover eligible health expenses such as the deductible
- Unused HSA money rolls over to next year
- Retirees do not receive contribution



\* Plan design may vary

\*\* The above illustration is an example only. Your actual plan design/features may vary

# Who is eligible to participate in an HSA?

To contribute to an HSA, the IRS requires that individuals:



Must be enrolled in a qualified high deductible health plan (Cigna Choice Fund HSA is a qualified plan) on the 1<sup>st</sup> day of the month.

If your HSA medical plan effective date is other than the 1<sup>st</sup> of the month, your HSA will be established on the 1<sup>st</sup> of the following month.



Cannot have any other health coverage unless it is a qualified HDHP (this applies to the participant only)

- Not covered by spouse's medical or pharmacy plan (unless the plan is also a qualified HDHP)
- Not covered through Medicare Part A, Part B, Part D or through TRICARE
- Not covered through a general-purpose Flexible Spending Account (FSA) plan (either employer's or spouse's)



Cannot be claimed as a dependent on another person's tax return





# Health Savings Accounts for Retirees

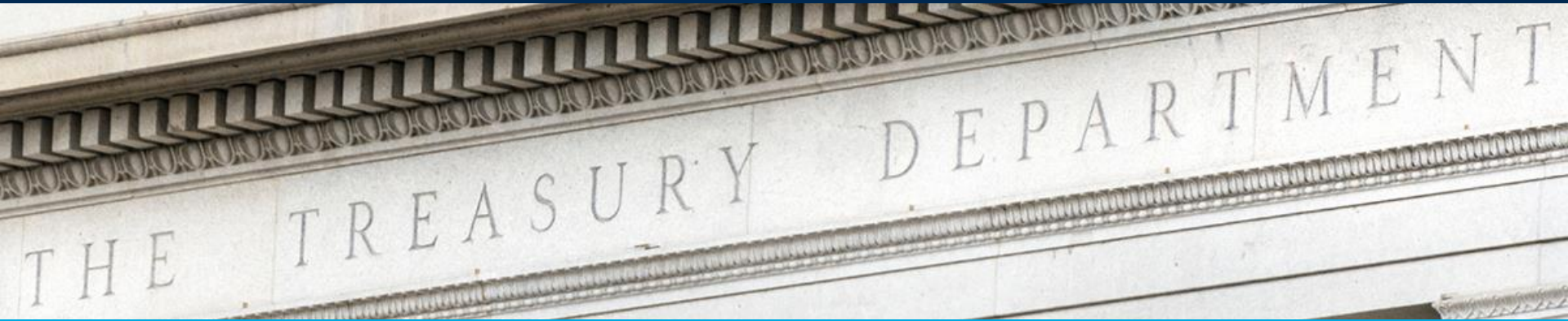
- Once you have become Medicare eligible or stop participation in a High Deductible Health Plan, you are no longer eligible to contribute to a Health Savings Account. Doing so will violate IRS regulations and you could be subject to additional taxes and penalties.
- If you choose to be enrolled in the MyChoice Plan along with medical plan outside of Fairfax County Government (i.e. coverage under a spouse's employer or a new employer) you are NOT eligible to contribute to a Health Savings Account
- Individual contributions to Health Savings Accounts
  - Fairfax County Government does not make contributions to the HSAs of retirees enrolled in this plan
  - Contributions must be made directly with HSA Bank and cannot be processed through Fairfax County Government payroll or the Retirement Systems pension for retirees

# Health Savings Accounts for Retirees

- By waiting to claim Social Security and go on Medicare — which is about 66 for people born between 1943 and 1959 — you are provided a lump sum of retroactive benefits going back to six months. You will also be retroactively enrolled in Medicare, going back six months. This enrollment makes you ineligible to participate in a Health Savings Account during that six month period.

# Your HSA maximum contribution

The IRS has set the following limits for 2021:



## **Under age 55 and not enrolled in Medicare:**

- Up to \$3,600 individual coverage
- Up to \$7,200 family coverage

## **Age 55 or older:**

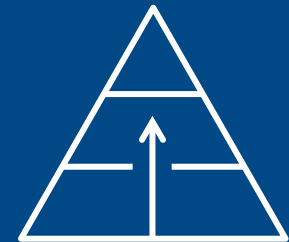
- Maximum contribution increases by \$1,000 (a “catch-up” contribution)
- Up to \$4,600 individual coverage
- Up to \$8,200 family coverage

## **To make the maximum contribution in a calendar year, you must:**

- Meet all requirements to be eligible for HSA contributions on January 1
- Remain qualified through December 1

\*HSA contribution prorated if not a full year

# BENEFITS OF AN HSA



# HSA plan – valuable today and in the future

## Contributions

- Payroll-deducted contributions are pretax\*
- You can deduct after-tax contributions\*

## HSA account growth

- Earnings on your cash account or mutual funds are generally not taxable\*

## Withdrawals

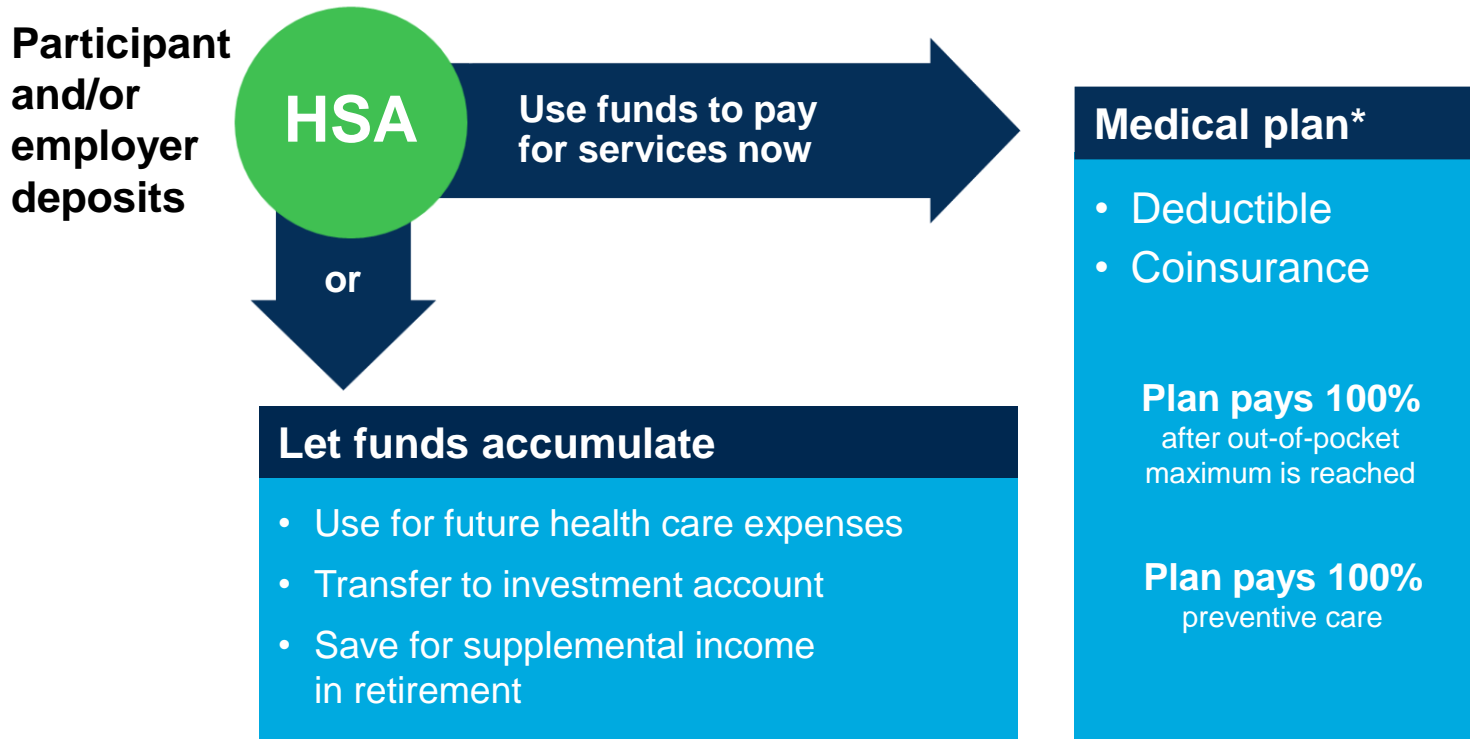
- Qualified health care expenses are tax-free
- Ineligible expenses are taxed + 20% penalty
- At age 65, there's no penalty (taxes do apply if not used for qualified health care expenses)

### Did you know?

You can use your HSA dollars now or save the funds for future health care expenses. And you can benefit from triple tax advantages on contributions, earnings and withdrawals.

\* HSA contributions and earnings are not subject to federal taxes and not subject to state taxes in most states. A few states do not allow pretax treatment of contributions or earnings. See your professional tax advisor for more information about your state.

# Participants choose how to use their HSA dollars



\* The above illustration is an example only. Your actual plan design/features may vary

# Investment options



## HSA investment accounts

- › \$2,000 minimum in HSA to invest
- › DEVENIR Mutual Fund investment options
- › TD Ameritrade Direct Brokerage option
- › Once account is open, no minimum balance applies
- › No minimum deposit for any fund
- › Interest and investment earnings are federal tax-free
- › No monthly fees apply
- › Track your balance online or with convenient monthly statements

The screenshot shows the 'Cigna Healthy Learning' website interface for a Health Savings Account (HSA). The page title is 'HSA investment opportunities'. On the left, there is a navigation menu with options: 'Overview', 'Funding your HSA', 'Using your HSA', 'Save on taxes', 'HSA investment opportunities' (highlighted in blue), and 'Using your HSA during retirement'. The main content area features a photograph of a family loading bicycles onto a car's roof rack. Below the photo, there is a paragraph explaining that users decide how HSA money is spent on eligible expenses. To the right of this paragraph are two sections: 'Tax-free earnings\*\*' and 'Flexible access'. The 'Tax-free earnings\*\*' section explains that HSA investment earnings grow tax-free and are also free from federal income taxes. The 'Flexible access' section lists two bullet points: 'Easy-to-use online investment platform, available 24/7' and 'Online fund transfers between HSA and investment account any time, allowing easy access to funds when they're needed'. At the bottom of the main content area, a paragraph states that HSAs often provide a higher annual contribution limit than IRAs and allow for catch-up contributions for those aged 55 or older.

Employees can learn about investment opportunities on the Cigna Healthy Learning tool.

\* HSA contributions and earnings are not subject to federal taxes and not subject to state in most states. A few states do not allow pretax treatment of contributions or earnings. See your professional tax advisor for more information about your state.

Investment accounts are not FDIC insured and they are not bank guaranteed. Investments are subject to market fluctuation, investment risk, and possible loss of principal. Customers should consult a professional financial advisor prior to exercising any investment options.

# MANAGING AN HSA





# What are qualified health care expenses?

Qualified health care expenses are determined by the IRS

## Examples of qualified health care expenses\*

- Deductibles and out-of-pocket costs for medical and dental care
- Prescriptions
- Vision care, including glasses and LASIK eye surgery
- Smoking cessation treatment and prescriptions
- Family planning procedures
- Chiropractic services
- Some insurance premiums, such as long-term care, COBRA and health care coverage premiums while receiving unemployment compensation

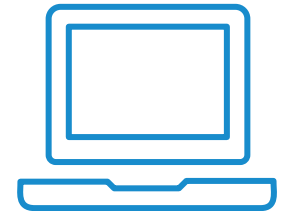
## Examples of nonqualified health care expenses

- Air purifiers
- Cosmetic surgery and related expenses
- Health club dues (unless prescribed by physician to treat illness)
- Illegal operations and treatments
- Massages for general well-being
- Premiums for health care coverage
- Transportation (unless specifically for and essential to medical care)
- Toothpaste, cosmetics and toiletries
- Vitamins and nutritional supplements
- Weight loss programs (unless for a specific illness)

\* This is not a complete list. For a detailed list, visit [Cigna.com/expenses](http://Cigna.com/expenses) or the IRS website at [www.irs.gov](http://www.irs.gov) and see Publications 502 and 969 for additional information.

## Paying for expenses with the HSA

- > Participants can use HSA money only for expenses incurred **after** the account is established. (If the HDHP effective date is other than the 1<sup>st</sup> of the month, the HSA establishment date will be the first of the following month.)
- > Participants use a Cigna-branded HSA debit card, checks (if purchased) or online capabilities to access their HSA dollars.
- > Participants can only pay expenses from their HSA based on the balance in the account (similar to a checking account). If they don't have sufficient funds in their account to cover a payment, they may pay with personal funds and reimburse themselves later when additional HSA deposits have been made.
- > Use of HSA funds for nonqualified health care expenses is subject to income tax and a 20% penalty.
  - Participants must keep their own expense receipts for documentation, in the event they are audited.
  - Any funds used for nonqualified expenses must be claimed on their tax return.
  - Participants should contact their personal tax advisor if they have questions



## Using HSA funds

### Dependents to age 26

- Dependents to age 26 may be enrolled in an employee's medical plan
- HSA funds may only be used for expenses of that dependent if the dependent is claimed on the employee's tax return

### Domestic partners

- Participants can not use HSA funds for a domestic partner unless that person meets the IRS definition of a tax dependent. Participants should consult a tax advisor for details based on their circumstances.

### Eligible expenses

- Use the HSA for medical, prescription drug, dental, vision and certain premium expenses
- Expenses for anyone employee claims as a federal tax dependent (other than domestic partners – see above)
- Participants' HSA cannot pay for expenses of children to age 26 who are not claimed as a dependent (see above)
- Participant is responsible for making sure expenses are eligible according to IRS Publication 502. Cigna has created [this helpful list of eligible expenses](#).
- If participant uses money from HSA for ineligible expenses, they will pay taxes plus a 20% penalty (prior to age 65)



# What will employees receive once their bank account is opened?

The following will be mailed to the employees home approximately 7–10 days before the plan start date:

- **HSA debit card** and brochure outlining the Terms & Conditions for the card. The debit card and carrier will arrive in a separate envelope from the welcome letter.
- **Welcome letter** and overview including instructions for closing the account if the employee is not eligible to have an HSA.
- **Fee schedule** outlining any fees the employee may be required to pay
- **Legal notices** as required



Medical plan ID cards are mailed separately from Cigna



# Access to HSA funds

Participants choose when and how they access their money



## Debit Card

- Use to pay for out-of-pocket expenses
- Can also be used to get cash at ATMs to reimburse themselves for qualified expenses paid with personal funds



## Online Bill Pay Electronic Funds Transfer

- Pay expenses directly from the HSA
- Monitor, manage and schedule payments online, anytime
- Schedule payments on a one-time or recurring basis



## Checkbook

Purchase and write checks to pay for out-of-pocket expenses



## Medical AutoPay

- Automatically pay all or selected eligible Cigna medical expenses from the HSA
- Can be turned on/off any time during the year

**Regardless of how the HSA is accessed, all balance and transaction activity is available online at [myCigna.com](https://myCigna.com)**

\* To aid in fraud prevention, there is a \$5,000 daily debit card transaction limit

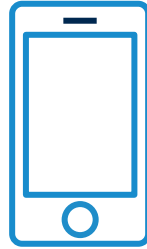
NOTE: It is the responsibility of the participant to monitor and maintain the account. Federal privacy laws prevent account information from being shared with anyone but the Participant/accountholder.



# How participants can manage an HSA on the go



Manage accounts anytime, just about anywhere



View balances and transactions on the myCigna® mobile app



Participants can sign up for alerts online through **myCigna.com**



Participants choose the notifications they'd like to receive

## Contribution alerts

Contribution posted to your account

Email

HSA available cash balance is below \$

Email

HSA contributions year-to-date are within \$

of the IRS maximum

Email



# Tax responsibilities and reporting

## Bank

- **Bank** reporting for year-end taxes will be sent to active employees or (accontholder) \*Please note retirees will not see HSA contributions on W-2.
- **Form 1099-SA** – Reporting all distributions from the HSA
- **Form 5498-SA** – Reporting of contributions and transfers into the HAS

## Participant

- Participant** reporting for year-end taxes will be sent to the employee (accontholder)
- **Form W-2:** Reporting all employer contributions, including pretax payroll deductions  
Employer contributions are not considered part of employee income
  - Please note retirees will not see HSA contributions on W-2.

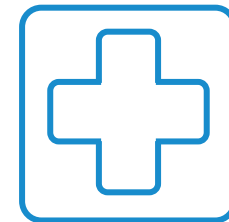
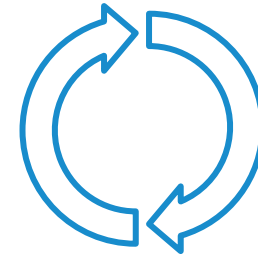
## Participant

- Participant** (accontholder) responsibility
- Ensure total contributions do not exceed allowable maximums
  - Keep accurate records of contributions and withdrawals
  - Maintain receipts for all use of HSA dollars: Purchases and bill payments
  - **File form 8889** as part of income tax submission to the IRS



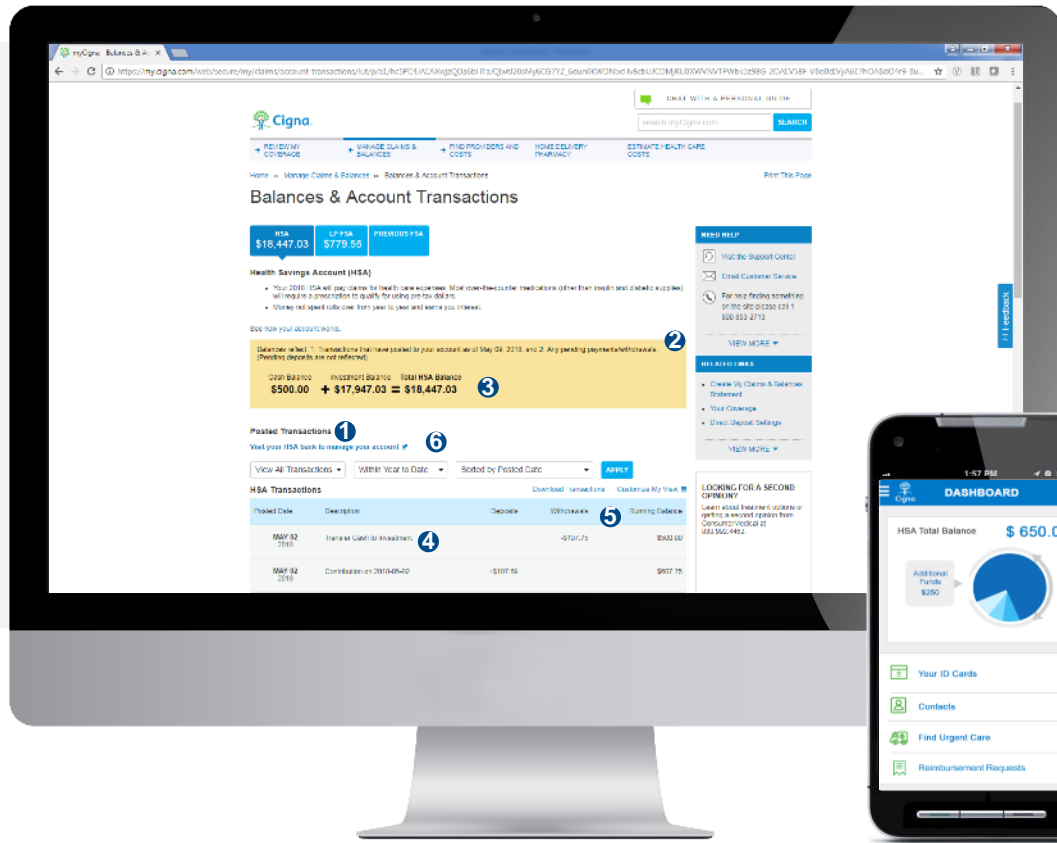
## More about the HSA and HDHP

- **What if employees/participants contribute more than they are allowed?**
  - Excess contributions are subject to income taxes and an additional penalty tax.
  - Participant may withdraw any excess contributions within the tax year to avoid penalties.
- **Can an employee/participant roll over money from other accounts?**
  - Rollover contributions from medical savings accounts and other HSAs are allowed and do not count toward yearly maximum contributions.
- **What if an employee/participant changes health plans?**
  - If an employee is no longer covered by the plan, they can still use HSA funds to pay for qualified health care expenses.
  - Employees cannot contribute additional money to the HSA until they are enrolled in another qualified high-deductible health plan.





# Participant HSA web and mobile experience on myCigna®



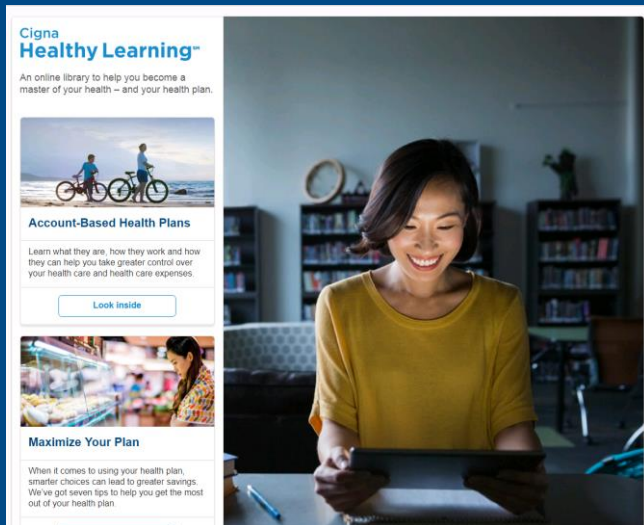
- 1 12-month transaction view, access to 24 months of info
- 2 Filter and sort capability
- 3 Simple account balance messaging
- 4 Rich transaction descriptions
- 5 Running balance
- 6 Single sign-on to bank portal

myCigna® App



# Educational tools and resources

## HSA BASICS



### Cigna Healthy Learning Tool

- Educates employees on how to use their HSA

### HSA Savings Calculator

- Tax Savings
- Future Growth



# Customer service to help manage the HSA

## By phone



- One toll-free number on the back of the ID card and debit card
- Available 24 hours a day, 7 days a week
- Specially trained Cigna Customer Service representatives answer questions about:
  - Medical and pharmacy benefits and claims
  - HSA IRS requirements
  - HSA transaction activity and balance
  - Warm transfer to the bank for specialized activity (investments, lost debit card)
  - Directs callers to additional tools available on myCigna.com

## Online



- Single sign-on to Medical and HSA activity through myCigna.com
  - Medical/pharmacy information
  - Find a physician or facility participating in the plan's network
  - Access to cost and quality tools
  - HSA information
  - Manage investment accounts via link to banking vendor



# How are medical claims paid?

Sick visit to an in-network doctor/hospital.  
Show Cigna ID card.

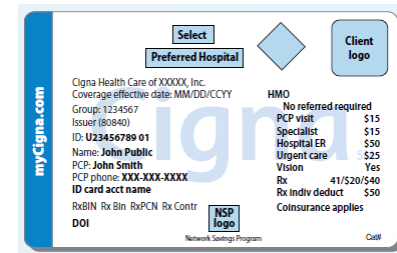
Health care professional  
files claim with Cigna directly.

Cigna receives the claim and processes it  
based on the plan deductible, covered expenses  
and Cigna-negotiated discounts.

Cigna provides an explanation of benefits  
or EOB (“receipt”) showing:

Doctor’s charge, Cigna discount, amount billed, amount  
owed to health care professional.

## ID card



## EOB

**PAGE 1 SUMMARY**

The Summary page gives an overview of the ways your benefits are working for you – quickly see what was submitted, what’s been paid and what you owe.

**THIS IS NOT A BILL.**  
Your health care professional may bill you directly for any amount that you owe.

**Explanation of benefits**  
for a claim received for YOUR NAME. Reference # 01234567890  
Patient’s relationship to subscriber: Subscriber  
Subscriber: YOUR NAME

**Summary of a claim for services on November 20, 2017**  
for services provided by: WELLS BEING, MD

Amount billed	\$188.00	This was the amount that was billed for your visit on 11/20/2017.
Discount	\$80.88	You saved \$80.88. Cigna negotiates discounts with health care professionals and facilities to help you save money.
What my Cigna plan paid	\$0.00	Your Cigna plan did not pay any of the amount billed. This could be because you haven’t met your deductible yet or your plan doesn’t cover the services you received.
What my accounts paid	\$107.12	\$107.12 was paid from your Health Reimbursement Account (HRA); you now have \$1,509.21 left.
What I owe	\$0.00	This is the amount you owe after your discount, what your Cigna plan paid, and what your accounts paid. Please notify your provider that you have applicable fees to pay a percentage of the covered amount, or for care not covered by their plan. Any amount you paid when you received care may reduce the amount you owe.
You saved	43%	You saved \$80.88 (or 43%) off the total amount billed. This is a total of your discount and what your Cigna plan paid. To maximize your savings, visit MyCigna.com or call customer service to estimate treatment costs, or to compare cost and quality of in-network health care professionals and facilities.

**Customer service**  
Call the number on the back of your ID card or 1-800-424-2111  
MyCigna.com  
If you have any questions about this document, please call Customer Service at the number above. Please have your reference number ready.

**Service date**  
November 20, 2017

**Reference # / ID**  
01234567890123456789

**Provider network status**  
In-Network

**Account name / Account #**  
ABC COMPANY1234567

**DATE OF SERVICE AND HEALTH CARE PROFESSIONAL ARE BOTH LISTED FOR EASIER REFERENCE.**

**IF YOUR HEALTH ACCOUNTS PAID PART OF YOUR EXPENSES, YOU’LL SEE WHAT’S BEEN PAID AND REMAINING BALANCES.**

**THE AMOUNT YOU OWE DOES NOT REFLECT ANY AMOUNT YOU MAY HAVE ALREADY PAID.**

**THIS REFLECTS THE TOTAL VALUE OF YOUR PLAN – THE AMOUNT YOU SAVED BY VISITING AN IN-NETWORK HEALTH CARE PROFESSIONAL OR FACILITY, AND THE AMOUNT PAID BY YOUR PLAN.**



# How are pharmacy claims handled?

1

Participants visit a pharmacy to pick up their prescription.

2

Plan members should bring their Cigna ID card. If the pharmacy is in their plan's network, they will get Cigna-negotiated discounts on covered prescriptions.

3

Participants can access their HSA dollars to pay for their prescription in the following ways:

**Debit card:**

Use the debit card to pay for the pharmacy expense at point of service.

**Use personal funds:**

Pay with personal funds and request reimbursement via the online bank tool.

4

HSA balance and transaction information is updated and made available:

- On myCigna.com or the myCigna Mobile App
- By calling Customer Service via the number on the back on their ID card.



# What happens when an participant leaves the plan?

## Change in participant status or plan change

### Employer

- Send updated eligibility information to Cigna.
- Termination is received in the HSA system via the eligibility file.
- After 15 days, the termination is released to the bank and they begin process to convert HSA to an individual account.



### Participant

- HSA dollars are portable and theirs to keep.
- No longer able to contribute to the HSA (unless covered through an HSA-qualified plan and remain eligible).
- Can continue using the HSA funds for qualified health care expenses for their qualified expenses.
- Bank begins 30-day process to transition account to a free-agent account. Participant may have different/additional account fees.
- Receives letter from bank outlining changes to the account and the options available:
  - Transfer the funds to an HSA at another institution
  - Close the account
- If free-agent account is opened, employee will have a direct relationship with the bank. *(The bank cannot provide Cigna with any information about the account.)*



# QUESTIONS?



HSA Bank's responsibilities to accountholders are set forth in the Deposit Account Agreement and Disclosures for Health Savings Accounts. The HSA provider and/or trustee/custodian is solely responsible for its HSA services, transactions and activities related thereto. Cigna is not responsible for HSA services, administration or operation. The information provided in this document is for informational purposes only. It does not constitute tax or financial advice. Cigna assumes no responsibility and shall have no liability under any circumstances arising out of the use or misuse of any information in this publication.

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