


CIGNA CHOICE FUND® HEALTH SAVINGS ACCOUNT



A health plan plus a health savings account



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Agenda

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



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HSA COMPONENTS AND RULES OF THE ROAD




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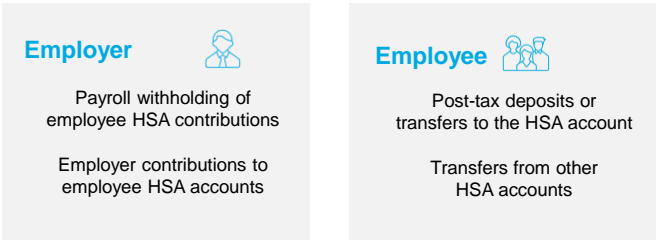
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What is the Cigna Choice Fund HSA?



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



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

Deductible minimums	<p>The minimum deductible is \$1,400 single and \$2,800 family.</p> <p>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)</p> <p>Preventive care can be covered at 100% prior to deductible being met</p>
Out-of-pocket maximums	<p>For 2021, the sum of the plan's annual deductible and other annual out-of-pocket requirements (other than plan contributions/premiums) cannot exceed \$7,000 single and \$14,000 family.</p>
100% coverage once out-of-pocket met	<p>Once the out-of-pocket maximum is met, the plan pays 100% for covered medical/pharmacy expenses</p>

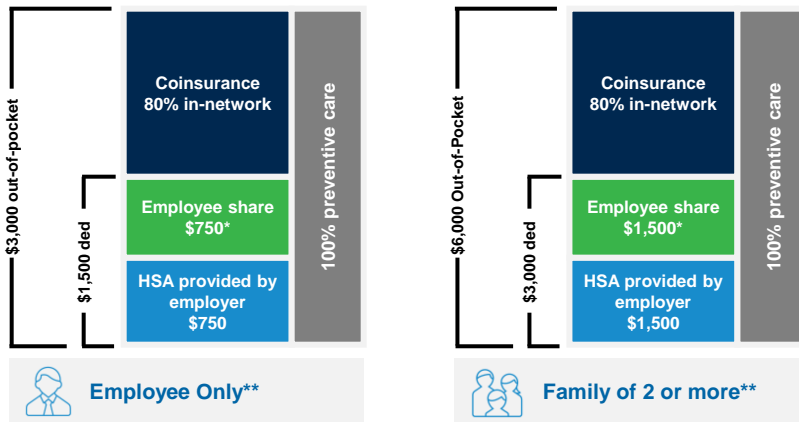


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HSA – understanding the components



* With no additional contribution from employee

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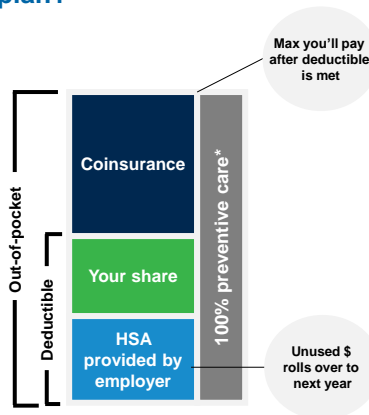


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How is this different from a traditional plan?

Same
<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> 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



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Who is eligible to participate in an HSA?

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

<p>Must be enrolled in a qualified high deductible health plan (Cigna Choice Fund HSA is a qualified plan) on the 1st day of the month.</p> <p>If your HSA medical plan effective date is other than the 1st of the month, your HSA will be established on the 1st of the following month.</p>	<p>Cannot have any other health coverage unless it is a qualified HDHP (this applies to the <u>employee</u> only)</p> <ul style="list-style-type: none"> 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) 	<p>Cannot be claimed as a dependent on another person's tax return</p>

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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

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BENEFITS OF AN HSA



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HSA plan – valuable today and in the future

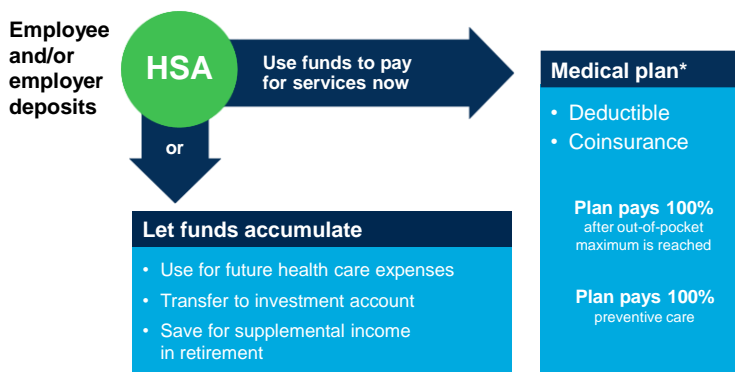
Contributions	HSA account growth	Withdrawals
<ul style="list-style-type: none"> • Payroll-deducted contributions are pretax* • You can deduct after-tax contributions* 	<ul style="list-style-type: none"> • Earnings on your cash account or mutual funds are generally not taxable* 	<ul style="list-style-type: none"> • 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. Confidential, unpublished property of Cigna. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2018 Cigna



Employees choose how to use their HSA dollars



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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

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.

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MANAGING AN HSA

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What are qualified health care expenses?

Qualified health care expenses are determined by the IRS

Examples of qualified health care expenses*	Examples of nonqualified health care expenses
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 or the IRS website at www.irs.gov and see Publications 502 and 969 for additional information.
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Paying for expenses with the HSA

- > Employees can use HSA money only for expenses incurred **after** the account is established. (If the HDHP effective date is other than the 1st of the month, the HSA establishment date will be the first of the following month.)
- > Employees use a Cigna-branded HSA debit card, checks (if purchased) or online capabilities to access their HSA dollars.
- > Employees 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.
 - Employees 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.
 - Employees should contact their personal tax advisor if they have questions



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Using HSA funds

Dependents to age 26

- Dependents to age 26 may be enrolled in a 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

- Employees can not use HSA funds for a domestic partner unless that person meets the IRS definition of a tax dependent. Employees 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)
- Employees' HSA cannot pay for expenses of children to age 26 who are not claimed as a dependent (see above)
- Employee is responsible for making sure expenses are eligible according to IRS Publication 502. Cigna has created [this helpful list of eligible expenses](#).
- If employee uses money from HSA for ineligible expenses, they will pay taxes plus a 20% penalty (prior to age 65)



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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



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Access to HSA funds

Employees 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

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

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

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How employees can manage an HSA on the go



Manage accounts anytime, just about anywhere



View balances and transactions on the myCigna® mobile app



Employees can sign up for alerts online through [myCigna.com](https://mycigna.com)



Employees choose the notifications they'd like to receive

Contribution alerts		
Contribution posted to your account	<input type="checkbox"/>	Email
HSA available cash balance is below \$ <input type="text"/>	<input type="checkbox"/>	Email
HSA contributions year-to-date are within \$ <input type="text"/> of the IRS maximum	<input type="checkbox"/>	Email

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Tax responsibilities and reporting

Bank

Bank reporting for year-end taxes will be sent to the employee (accontholder)

- **Form 1099-SA** – Reporting all distributions from the HSA
- **Form 5498-SA** – Reporting of contributions and transfers into the HSA

Employer

Employer 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

Employee

Employee (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

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More about the HSA and HDHP

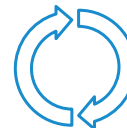
• What if employees contribute more than they are allowed?

- Excess contributions are subject to income taxes and an additional penalty tax.
- Employee may withdraw any excess contributions within the tax year to avoid penalties.



• Can an employee 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 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.



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Employee 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



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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



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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

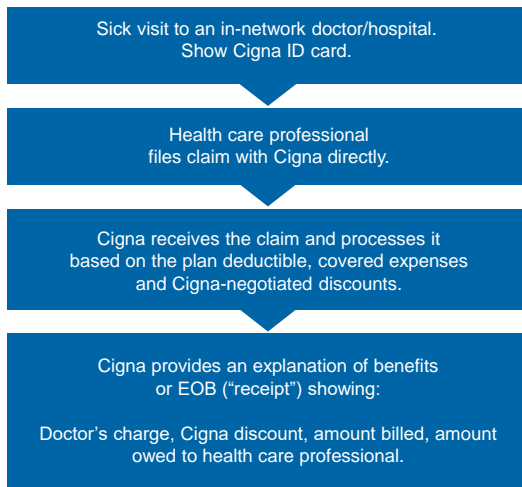


- Single sign-on to Medical and HSA activity through myCigna.com
 - Medical/pharmacy information
 - Find a physician or facility participating in the plan's network
 - Access to cost and quality tools
 - HSA information
 - Manage investment accounts via link to banking vendor

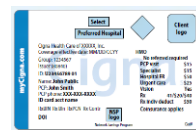


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How are medical claims paid?



ID card

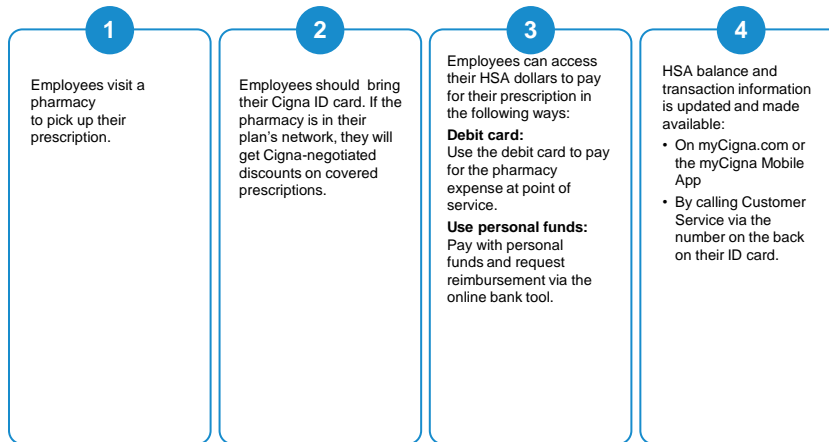


EOB



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How are pharmacy claims handled?



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What happens when an employee leaves the plan?

Change in employee 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.



Employee

- 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. Employee 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.)*



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QUESTIONS?



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