

Benefits for Educated Consumers
Independent Colleges and Universities Benefits Association (ICUBA)
Frequently Asked Health Benefit Questions
Rollins College - April 2006-March 2007



Below you will find questions and answers that will assist you in understanding the drivers of the ICUBA premium increase, benefits ICUBA offers, ICUBA's administrative expenses, how deductibles, co pays and coinsurance work, and information about Health Reimbursement Accounts (HRA), Health Care Spending Accounts (HCSA), Dependent Care Spending Accounts (DCSA), and the Debit Card.

1. What drives my health insurance premium increases?

- Claims experience/cost: utilization among plan participants of medical services and discounts obtained by insurance administrator affect claims experience
- Health care cost inflation, or trend, is in the middle double digits. As Medicare and Medicaid account for more of the market, private plans, like ICUBA, end up paying more to private physicians and other medical care providers more as these medical providers shift costs associated with caring for people on government programs and the uninsured. Technology (including innovation) is a major driver of health care cost inflation.
- Chronic conditions (diabetes, asthma, cardiac) drive premium increases more than catastrophic events (i.e., claims in excess of \$50,000 per plan year).
- ICUBA pharmaceutical costs are increasing at above average trend and overall pharmaceutical costs as a percentage of total costs are the most rapidly increasing component of all of medical care costs.

2. What benefits does ICUBA offer?

- There are four medical plans: PPO 90, PPO 80, PPO 70, and the Risk/Reward plan. Each plan has the same pharmacy benefit, an annual wellness benefit that covers recommended annual tests and exams, plan design (i.e., a deductible, co-insurance Maximum, co-pays) with the same plan rules, the same network of medical providers, and access to BCBS Internet, 24/7 nurse consultation for better health. The plans with the highest deductibles have the lower premiums.
- An opportunity to elect coverage under a medical plan that provides monthly contributions to a Health Reimbursement Arrangement tied to a Health Debit Card. Participation in a flexible savings account also tied to a Health Debit Card, and access to a dependent care assistance benefit.
- Employee Assistance Program offered as a stand-alone program.

- Dental/Vision benefits offered as an optional benefit.
- Real time, 24/7 access to all employee enrollment and account balance information.
- Predictive Modeling to assist in the selection of health plans, HCSA, DCSA, and HRA accounts.

3. How do the deductibles, co-insurance, co-pays, out-of-pocket maximums, and out of network charges function?

- Deductibles apply to all services except emergency room visit, urgent care visits, annual wellness immunization, office visits, and prescription drugs. Additionally, on the Risk/Reward Plan, deductibles do not apply to primary care physician and specialty physician office visits.
- Deductibles and co-insurance count toward annual out of pocket maximums. Co pays do not count toward annual out of pocket maximums.
- There is only a co-pay for the office visit during an annual immunization, exam or test under the preventive benefit. No co-pays are charged for the mammogram or other tests performed under the wellness benefit.
- When a co-pay is required, that copay comes before the deductible and co-insurance. Deductibles come before the co-insurance.
- For out-of-network services, the participant is always responsible for the amount of the bill over Usual and Customary Charges. Also, there is a \$500 co-pay in addition to the deductible and co-insurance for inpatient hospital stays at out of network facilities.

4. What are Health Reimbursement Accounts (HRA)?

- In July of 2002 the U.S. Department of Treasury announced the conditions under which Health Reimbursement Accounts may operate.
- Schools provide monthly cash to the HRA for employees who choose high deductible medical plans- PPO 80, PPO 70 and Risk/Reward.
- No employee contributions.
- Employee may use employer provided money via a Health Debit MasterCard in order to access medical care services. The debit card allows for instant reimbursement at the point of sale without having to pay the expense up front. Even if the MasterCard is used to access funds, all receipts and documentation must be kept, as substantiation is required for some expenses. If substantiation is required, Outsource One will send a letter and the Explanation of Benefits from the insurance carrier and any applicable receipts and documentation must be provided.

- Unused monies left in the account at the end of the plan year rollover from year to year, within a secure trust fund, and are separate from ICUBA's funds, increasing at the rate of interest paid by the Florida Department of Financial Services on such funds(credited on a quarterly basis).
- As long as all the rules are followed, the employer cash contributions to the HRA, the interest on the account balance and the actual payout of the money to cover eligible medical expenses are never taxed.
- Monies accumulated in the HRA may be used by the employee to access medical care services through the Health Debit Card, or to pay long-term care insurance premiums, COBRA premiums, retiree health premiums, orthodontia, refractive eye surgery, additional hearing aid costs, extra eye glasses, any health plan's medical, over-the-counter drugs, vision, or dental out of pocket expense (i.e., deductible, co-pay, or co-insurance) for medically necessary services that are the employee or his or her legal dependents on the medical plan. All expenses reimbursable by an HCSA are eligible HRA expenses. See IRS Publication 502 "Medical and Dental Expenses" at www.irs.gov for general guidance.
- Health Care Spending Account (HCSA) dollars are used first when processing medical care reimbursement claims, except when an employee is attempting to use HRA funds to purchase long-term care insurance. Such claims for long-term care insurance must be made in hardcopy to OutsourceOne.
- HRAs may not be used for any non-medical expenses (e.g., life or disability premiums), paying for non-retiree medical, dental or vision insurance premiums, to fund flexible spending accounts, or for any medical expenses that are not incurred by a tax code dependent.
- Employees may not have access to their HRA balances after separation from employment unless the employee has at least 36 full months participation in the HRA. Qualified terminated employees pay an annual access fee on the first day of coverage each year.
- Even in the event of the employee's disability or death, HRA monies may only be used by the employee or his or her dependents if covered under the employees' medical health plan for medical expenses.
- HRA money may never revert to cash for the employee.
- Employees or dependents eligible for COBRA that have 36 months participation in the HRA, have the same HRA benefits as an active employee.
- The HRA is an ERISA plan. Any HRA action taken that an employee believes is incorrect may be appealed.

5. Why are employers willing to spend additional money to fund HRAs?

The primary reason that schools join ICUBA is to control the overall rate of premium increase from year to year. Medical plans with high deductibles tend to experience annual premium rate increases that are less than medical plans with low deductibles. Employers use HRAs to encourage employees to enroll in high deductible plans. The ICUBA board believes that this investment is worth the opportunity to decrease overall premium rate increases. Employees in HRA medical plans actually have an economic incentive to stay healthy and to accumulate funds to be used later for eligible medical expenses.

6. How much of each premium dollar goes to pay claims?

ICUBA is proud to report that approximately 85% of all premium dollars are available to pay claims. Internal operations, actuaries, accountants, attorneys, enrollment and billing procedures, and all consulting services account for portion of medical insurance premiums. BlueCross BlueShield collects a portion of premiums for provider network access, claim payment, utilization review, case management, 24/7 nurse consultation, and Internet tools. Stop loss insurance and disease state management, including large case management, account for a portion of premium.

7. How do I know how to make the best decision for my family and me?

ICUBA is providing on-line predictive modeling tools to assist employees assess the advantages of choosing a medical plan with an HRA. There are also effective tools on the school's employee benefit web site, a BlueCross BlueShield member services and the Human Resources Department at the schools.

8. How does the Health Debit Card work?

The ICUBA MasterCard® Health Debit Card is issued by MBI Bank, the largest reimbursement card company for HCSA and HRA account administration. The card electronically accesses and debits an employee's Health Care Spending Account (HCSA) account first if the employee has signed up for one, and then their HRA account, when an eligible expense is incurred. Because it is a debit (stored-value) card, there is no risk of incurring employee debt or overspending. If the funds are not in the account, the transaction will simply be denied. The Health Debit Card allows reimbursement to be made at point of sale without the need to issue a check or make a direct deposit into the employee's bank account for reimbursement. The Health Debit Card provides for instant reimbursements for prescription, doctor, dentist, ophthalmologist and optometrist co-pays. An estimated 50% of all HCSA claims are for pharmaceutical expenses. Employees may access history of expenditures and remaining balances through the Internet.

If a transaction is not approved, it will be denied at Point of Sale. In the unlikely event that an ineligible expense item does go through, for instance an employee charges their Rx co-pay of \$25 plus a \$10.99 DVD at the pharmacy counter, then OutsourceOne takes the following steps to recover the \$10.99:

1. Send participant letter asking them to reimburse their own account for an ineligible expense of \$10.99
2. If the participant does not do this the amount can be deducted from future reimbursement paid to participant for legitimate expenses
3. As a last resort the employer may be asked to payroll deduct that amount in order to reimburse the account

The Health Debit Card may be suspended or cancelled immediately upon notification by ICUBA or the employer.

If you are enrolled in a medical plan with a high deductible, your employer may choose to contribute cash monthly to your Health Reimbursement Account. Your employer will make the cash contribution to your HRA the first day of each month you are enrolled in the high deductible medical plan. As soon as the cash is deposited, those monies are accessible by you in order to pay for eligible medical expenses through either submitting hard copy claims to OutsourceOne or by paying for those medical services or products through the Health Debit Card at the point of sale. Any monies not spent by you on medical expenses build up in a trust account, earning interest quarterly, tax free, and are available to you through the Health Debit Card, to pay for future medical expenses (such as retiree health insurance, COBRA insurance, long-term care insurance, orthodontia, refractive eye surgery, extra hearing aids or eye glasses, out of pocket expenses charged to you by medical providers, etc.).

For those employees who are enrolled in a Health Care Spending Account (HCSA) and also maintain a Health Reimbursement Account (HRA), it is important to note that HCSA account funds must be expended before available HRA funds may be accessed. The Health Debit Card will charge eligible expenses to the HCSA until those funds are fully exhausted. Thereafter, eligible expenses will be charged against the HRA account funds. Employees may pay for eligible medical expenses from their HCSA either through the Health Debit Card at point of sale, or by submitting hard copy reimbursement to OutsourceOne. Any monies left in the HCSA after March 31 are only available until June 30 for services incurred April 1-March 31, of that previous benefit plan year, and must be submitted in hardcopy to OutsourceOne. Any monies left in the HCSA after June 30 reverts back to ICUBA.

9. What types of expenses are reimbursable through the HRA?

- Any out of pocket medical, dental or vision expenses that are the responsibility of the employee or his or her family. It is best to pay for these expenses directly by using the Health Debit Card at the point of sale.
- Almost all medical expenses reimbursable by an HCSA. See IRS Publication 502 "Medical and Dental Expenses."
- Premiums for the following insurances: COBRA, retiree health, and long-term care.

10. What types of expenses are NOT reimbursable through the HRA?

- Vitamins and nutritional supplements

- Non-retiree medical, dental or vision premiums.
- Life, long-term disability, or other voluntary product premiums that are available to you on a pre-tax basis (e.g., critical care insurance, cancer insurance)
- Legal aid premiums.
- Cosmetic services and other not medically necessary services or products. Domestic help fees, health club memberships, lens replacement insurance, physical therapy treatments for general well-being, solution for the care and maintenance of eyeglasses, over the counter vitamins not prescribed by a physician.

11. What types of expenses are reimbursable through the (HCSA) Health Care Spending Account?

- The HCSA may be used to pay most expenses not covered by any other health care plan in which you are enrolled. For example, you may pay your deductibles using dollars from your HCSA. But you may not get reimbursed under the HCSA for an expense payable by your medical plan.
- Any out of pocket medical, dental or vision expenses that are the employee or his or her family's financial responsibility.
- Almost any expense listed in IRS Publication 502 "Medical and Dental Expenses" is an eligible medical expense (see www.irs.gov).
- Over the counter medications.

12. What types of expenses are NOT reimbursable through the HCSA?

- No premiums for medical or other employee benefits (e.g., life, disability, dental, vision, cancer, critical illness, legal aid, etc.)
- Cosmetic services and other not medically necessary services or products. Domestic help fees, health club memberships, lens replacement insurance, physical therapy treatments for general well-being, solution for the care and maintenance of eyeglasses, over the counter vitamins not prescribed by a physician.

13. How does the Health Care Spending Account (HCSA) work?

- During open enrollment each plan year determine your plan year election– i.e., how much you want to contribute to your spending account for that April-March. This amount may change at the beginning of each plan year as your personal circumstances change. The amount you are eligible to elect to contribute into the

HCSA is determined by your employer. Rollins College annual maximum is \$3,000.

- Enroll by completing an election form on-line, which authorizes your employer to deduct a certain portion of your salary each pay period on a before tax basis.
- As you incur eligible expenses, either pay for the expenses at the point of sale with your Health Debit Card, or submit a claim form (by mail or fax), receipts and/or documentation from your provider detailing provider name, date of service, description of service, and/or name of medication and your cost to OutsourceOne. You may submit claims any time during the plan year, and you may submit multiple bills or receipts with one claim form.
- The debit card allows for instant reimbursement at the point of sale without having to pay the expense up front. Even if the MasterCard is used to access funds, all receipts and documentation must be kept, as substantiation is required for some expenses. If substantiation is required, Outsource One will send a letter and the Explanation of Benefits from the insurance carrier and any applicable receipts and documentation must be provided.
- When your hard copy claim form or Health Debit Card transaction is processed and approved, you are reimbursed, or the provider is paid, up to the maximum amount you elected to put into the HCSA, minus any previous reimbursements made during the April-March plan year. If your claim for reimbursement is greater than your current balance, you will be reimbursed for the total amount of your claim (or the provider of medical service or product will be paid through the Health Debit Card) up to your total HCSA contribution for the year.
- If you submit a hard copy claim (by fax or mail) OutsourceOne will reimburse you with pre-tax funds in your account and those monies will be provided to you either directly deposited into your bank account or mailed to you.
- **For expenses partially covered by Insurance.** Pay your out-of-pocket expense at the point of sale with your Health Debit Card, or file a claim with OutsourceOne, attaching your Explanation of Benefits (showing how much the plan paid, and the remaining balance due).
- **For expenses not covered by Insurance.** You may pay for these services at the point of sale with your Health Debit Card or complete an HCSA claim form, attach your itemized receipt(s) for expense and submit by fax or mail. Receipts must show date of service, cost, service performed, and provider of service.

14. What is the advantage of participating in an HCSA?

- When you contribute to an HCSA you lower your federal and Social Security taxes and increase your take home pay. That means more money for you in each paycheck. This extra money must then be used for services or products rendered or purchased between April and March.

- The example below shows how someone making \$24,000 a year can save \$1,155 in taxes annually by contributing to a spending account. The higher your tax bracket, the more you can potentially save.

	Without HCSA	With HCSA
Monthly Salary	\$2,000.00	\$2,000.00
Pre-tax monthly contributions to HCSA of \$270	\$0.00	\$270.00
Taxable Income	\$2,000.00	\$1,730.00
Federal Income Tax (28%) & FICA (7.65%)	- \$713.00	- \$616.75
Take Home Pay	\$1,287	\$1,113.25
After Tax Expenses	\$270	-\$0.00
Net Take Home Pay	\$1,017	\$1,113.25
Increase in monthly spendable income	N/A	\$96.25
Increase in annual spendable income	N/A	\$1,155.00

15. What are some issues I should consider before enrolling in the HCSA?

- **Expenses must be incurred during the period April and March.** You can be reimbursed for expenses that are incurred during this time period only. However, there is a 2.5 month extension through June 15th to use up any balance remaining. Receipts and documentation for any remaining claims (that occurred from April-June 15th) can be submitted for reimbursement through June 30th.
- **Use it or lose it.** It is important to carefully estimate your annual out-of-pocket expenses before enrolling in the HCSA. Set aside only as much as you expect to spend during the plan year, because you cannot carry balances forward or receive a refund of unused amounts. Any money left in your account beyond the 2.5 extension must be forfeited.
- **Account balances are not transferable.** You cannot use money contributed to an HCSA to pay for dependent care expenses, or to fund an HRA. All account balances must be separate and may not be commingled.
- **HCSA contributions may affect Social Security benefits for low-income wage earners.** Because you and your employer do not pay Social Security taxes on money you contribute to HCSAs, your future Social Security benefits may be reduced.

- **Your election is binding for the entire benefit period of April through March, and you may only change your election during next open enrollment or when you experience a “status change.”** You have 31 days from the date of your status change to make changes to your HCSA consistent with your status change. For example, if you acquire a new dependent through birth or adoption, you would be able to begin or increase contributions to an HCSA, but would not be able to decrease or stop contributions. You may only change your election to the HCSA if you experience one of the following events (status changes):
 - **Legal Marital Status.** Marriage, death of your spouse, divorce, legal separation, or annulment.
 - **Number of Dependents.** Birth, adoption, placement for adoption, or death of dependent.
 - **Employment Status.** Termination or commencement by you, your spouse, or your dependent.
 - **Work Schedule.** Reduction or increase in your hours of employment or those of your spouse or dependent, including a switch between part-time and full-time, a strike or lockout, or commencement or return from an unpaid leave of absence.
 - **Dependent satisfies or ceases to satisfy the requirements for unmarried dependents.** Event causes your dependent to satisfy or cease to satisfy the requirements for coverage due to attainment of age, or student status.
 - **Residence or worksite.** A change in your place of residence or work, or that of your spouse or dependent.

16. Should I enroll in the HCSA if I am a participant in a high deductible plan and my employer provides me with an HRA?

Yes. The HRA is designed to be a long term savings arrangement to put money away over time to pay for larger medical bills you may have later (e.g., a medical bill that requires a large out-of-pocket financial responsibility by you, retiree health insurance, COBRA insurance, a large family medical expense like orthodontia or refractive eye surgery). The HRA allows you to rollover any unused amounts and to allow it to grow at a reasonable rate of interest, all without having to pay any taxes on the account build-up or payout (as long as payout is for an eligible medical expense). Use the HCSA to pay incidental out of pocket costs you anticipate having over the plan year – April through March (e.g., prescription drug co-pays, other out-of-pocket expenses for medical services accessed through the plan you are enrolled in).

17. What is the Dependent Care Assistance Plan (DCSA)?

- Employees with children, a disabled spouse, or elderly dependents can take advantage of the Dependent Care Assistance Plan to help you pay for these expenses and get a tax break at the same time.
- The DCSA allows you to use pre-tax dollars to pay for eligible dependent care expenses, which enables you (and your spouse if you are married) to work. To

be eligible to participate in the DCSA, you must be at work while your eligible dependents receive care. You must also meet one of the following eligibility

requirements: (1) You are a single parent. (2) You have a working spouse. (3) Your spouse is a full-time student at least 5 months during the calendar year while you are working. (4) Your spouse is mentally or physically unable to care for him/herself. (5) You are divorced or legally separated and have custody of your child most of the time (even though your former spouse may claim the child for income tax purposes).

- For purposes of the DCSA, eligible dependents only include children, spouse, and elderly dependents. All eligible dependents must meet one of the following eligibility requirements: (1) Your child under age 13 for whom you have custody and for whom you are entitled to claim a deduction on your federal income tax return. For children of divorced or separated parents, only the parent with custody can consider the child an eligible dependent under the DCSA. (2) Incapacitated spouse/elderly dependent residing in your household full-time and claimed by you as a dependent on your federal income tax return. (3) Your child of any age (residing in your home full time) who is physically or mentally unable to care for him/herself, even if he/she does not entitle you to a deduction on your federal income tax return. (4) Your spouse who is physically or mentally unable to care for him/herself, even if he/she does not entitle you to a deduction on your federal tax return.
- The following types of care are reimbursable from a DCSA: (1) Care provided inside or outside your home by anyone other than your spouse, a person you list as your dependent for income tax purposes, or one of your children under age 19. (2) If your dependent is in the 1st grade or higher (through the age of 12), the cost of schooling must be separated from the cost of care. If your dependent is under 1st grade, and the cost of care and the cost of schooling can be separated, then only the cost of care is reimbursable. However, if the cost of schooling cannot be separated from the cost of care, the total cost is reimbursable. (3) A dependent care center or childcare center (if the center cares for more than six children, it must comply with all applicable state and local regulations). (4) A housekeeper, au pair, or nanny whose services include, in part, providing care for a qualifying dependent. (5) Day care costs while in day camps. Institutional camps are allowable (however, please factor out the cost of instruction before budgeting). Overnight camp costs are not reimbursable. (6) Adult care for an incapacitated spouse or elderly dependent. This includes only the day care expenses. Nursing/medical care does not qualify for reimbursement through a DCSA, but may qualify for reimbursement through an HCSA or HRA. For more information on eligible expenses under DCSA, please refer to IRS Publication 503 “Child and Dependent Care Expenses” available at <http://www.irs.gov> .
- To qualify for reimbursement, you must provide your dependent care provider’s tax ID number, Social Security number or license number on your federal income tax return. If you fail to do so, the IRS may reclassify your DCSA reimbursements as taxable income. Remember, you are still required to complete IRS form 2441 when reporting taxes at the end of each calendar year.

- There are limits as to how much you can contribute annually to DCSA, depending on your family situation. If more than one of the following situations applies to you, your maximum contribution will be the lesser of the two: (1) If you are a working single parent, you may contribute up to \$5,000 per calendar year. (2) If you are married and filing a joint tax return, you may contribute up to \$5,000 per calendar year. (If your spouse also has access to a DCSA, your combined limit is \$5,000.) (3) If you are married and filing separate tax returns, you may each contribute up to \$2,500 per year. (4) If you are married and your spouse is a full-time student or disabled (defined by IRS as physically or mentally incapable of self-care), you may contribute up to \$2,400 per calendar year for one dependent, or up to \$4,800 per calendar year for two or more dependents. (5) If you are married and your spouse earns less than \$5,000, you may contribute up to the amount of your spouse's annual income.

- When you file your federal income taxes, you have the option of taking an income tax deduction for your dependent care expenses. In some cases, you may be able to take advantage of both the tax credit and the DCSA. However, the amount you contribute to your DCSA reduces dollar-for-dollar the amount of your dependent care tax credit. It's up to you whether to take the federal tax credit or use the DCSA, or both. In general, if your annual income is above \$28,000, the DCSA may be a more attractive option than the tax credit. Please consult your tax advisor.

- The election you make when you enroll in the DCSA is binding on the entire plan year. You may only change your election during open enrollment or if you experience one of the following events (status change): marriage, divorce or legal separation, birth or adoption of a child, death of a spouse or child, termination or commencement of a spouse's employment, full-time or part-time employment changes or vice versa (you or your spouse). Unpaid leave of absence (you or your spouse). Significant changes in the health coverage of the employee or spouse attributable to the spouse's employment.

- The payroll deduction occurs ratably over the course of the plan year (April through March). When you have a claim you must fill out a DCSA claim form and attach receipts substantiating claim information, or have the dependent care provider sign the claim form in lieu of receipt. Fax or mail this information to OutsourceOne. You will find the claim form on the Internet. DCSA expenses are not reimbursable through the Health Debit Card.

- If you submit a claim for an amount that is more than your account balance, you will be reimbursed up to the amount you currently have in your account. When future contributions are made to your account, you will automatically receive another reimbursement, until your total claim amount has been reimbursed or you reach your plan year election amount.