If you would like to sign up for a High-Deductible Health Plan (HDHP) as a City of Tacoma retiree, you are required to learn about this type of health plan offering before making an election for coverage. Please review the below information and acknowledge your understanding of this type of health plan offering and your desire to elect this health plan:

A **high-deductible health plan (HDHP)** is similar to a traditional health plan.  
- There is an annual deductible that must be satisfied before the health plan will begin to contribute toward the cost of an individual’s health claims.  
- In-network preventative care services are covered at 100 percent by the health plan and not subject to the annual deductible.  
- Once the deductible is met, the health plan shares in the cost of an individual’s health claims until the out-of-pocket maximum (OOPM) limit has been satisfied.  
- After the OOPM is satisfied, the health plan will cover the remainder of the in-network health claims for the rest of the plan year.  
- If you sign up for family coverage, the family deductible must be met before the plan contributes toward the cost of your family’s health claims.

So what is different with an HDHP? With a HDHP, the annual deductible and the OOPM levels are much higher and they are often combined with a health savings account (HSA) feature.

A **health savings account (HSA)** is a savings account that gives you tax advantages.  
- In order to have an HSA, you must be enrolled in a qualified HDHP.  
- The account will earn interest and if it reaches a certain threshold, the money can even be invested.  
- Retirees can make contributions to an HSA post-tax and claim a tax deduction for the contributions made, even if they do not itemize their deductions on their annual tax return. Any interest and earnings through investment on the funds are non-taxable.  
- The HSA account is a savings account and the money accumulated belongs to the individual.

Similar to a flexible spending account (FSA), the money accumulated in an HSA can be used for out-of-pocket qualified medical expenses. However, unlike an FSA, the “use-it-or-lose-it” rule doesn’t apply. As long as the funds are used to pay for qualified out-of-pocket medical expenses, the funds stay sheltered from being taxed. Depending on how these accounts are managed over time, they can be used as a vehicle to assist with medical expenses after retirement.

An HDHP may not be the right fit for everyone and some individuals cannot establish an HSA (see “Are you eligible to establish an HSA? on page 2”). Additionally, the IRS may not allow you to use your HSA account to pay for qualified health expenses for some of your dependents (e.g. domestic partners and adult children), unless they are claimed on your tax return and meet the requirements of Internal Revenue Code (IRC) Section 152.

With an HDHP, an individual may not have enough funds accumulated in their HSA to pay their responsibility for their health claims before the health plan begins to share in the cost. However, with this type of a health plan, an individual may be able to reduce their expenses and build up their HSA account balance while at the same time reducing their taxable earnings. An individual may accomplish this by spending wisely and researching their plan options to ensure they are getting only the needed care at the best price and with the right provider.

Note: The City of Tacoma will not contribute to an HSA for retirees. However, retirees are able to establish an HSA on their own with any banking institution.
Additional Resources: To learn more about an HDHP plan with an HSA, you can visit the City of Tacoma’s Benefits webpage at www.cityoftacoma.org/benefits. There are plan summaries, a Frequently Asked Questions Document, and videos in our Benefits Video Library. You can additionally contact HealthEquity, the City’s HSA Administrator with your questions or visit their website which has additional videos and resources.

Are you eligible to establish an HSA?
The Internal Revenue Service has established rules for health savings accounts (HSAs) that restrict who can establish an account and make contributions:

✓ You must be enrolled in a qualified high-deductible health plan (HDHP)
✓ You cannot be covered by another health insurance plan (such as a spouse’s plan), unless it is a qualified HDHP
✓ You cannot be enrolled in a general purpose flexible spending account (FSA) or have coverage through a spouse’s FSA*
✓ You cannot be enrolled in a health reimbursement arrangement (HRA) or have coverage through a spouse’s HRA*
✓ You cannot be covered by other health insurance through Medicare, TRICARE, or Indian Health Services
✓ You cannot be claimed as a dependent on someone else’s tax return. You can be listed as a spouse filing jointly

*Individuals can be enrolled in or covered through a spouse’s limited purpose FSA or HRA.

How to Establish a Health Savings Account
If you decide to elect a high-deductible health plan, you can open an HSA with any banking institution to align with your high-deductible health plan. The City of Tacoma is using HealthEquity as their HSA administrator. If you are interested in opening an individual HSA at Health Equity it is easy.

Go to this page and click on Get Started to open an account: go.healthequity.com/hsa-personal-walkthrough/

If you have questions about opening an HSA, HealthEquity is available 24/7, 365 days a year and can be reached at:
866-346-5800 www.healthequity.com/HSAlearn

Agreement: (Each box must be checked)

☐ I have been provided information, which I have reviewed and been provided access to additional resources regarding high-deductible health plans and health savings accounts so I can better understand how these plan offerings work before making an election for this type of medical plan as a City of Tacoma retiree.

☐ I understand that if I choose to sign up for this type of plan offering that I will have a larger annual deductible and larger out-of-pocket maximum limits. I understand the annual deductible must be satisfied before the plan will begin to share in the cost of my health claims. If I sign up for family coverage this means the family deductible must be satisfied. And this additionally means I will be responsible for the full cost of prescriptions until the annual deductible is satisfied.

☐ I understand that I do not have to sign up for a Health Savings Account (HSA) in order to sign up for a high-deductible health plan. However, I have read and understand the IRS restrictions related to establishing a health savings account in case I am interested in establishing one for myself in the future.

☐ I understand that if I choose to sign up for this type of plan offering that I cannot change my medical plan election until the next annual Open Enrollment period or sooner if I experience a qualifying life event. In that situation, I must contact the Human Resources Benefits Office or Retirement Office to enroll for coverage within 30 days of the qualifying life event.

Name: ____________________________________________
(Please print)

Signature: ____________________________________________ Date: ____________________________

November 2019