



Maximizing Your Health Benefits

How Choosing the Plan Which Best Fits Your Needs,
Using A Flexible Spending Account,
& The Mail Order Prescription Program
Can Help to Maximize Your Health Dollars

High Deductible versus A Traditional Plan

- Just like car insurance, health insurance premiums are based on risk factors. The more risk assumed by the plan, the less risk assumed by the member; hence, a higher premium.
- The reverse is also true: the higher risk the member is willing to take, the lower the premium.
- A high deductible decreases the likelihood that the plan will pay, hence the “up front” premium is lower.
However, just like car insurance, that means that if you need to use the plan, your cost will be higher!
- So in making this decision, employees **need to balance their desire to save money** with the **reasonableness of the risk** given their current health and insurance usage.

Cost Comparison

High Deductible vs. Traditional

■ Traditional

- Premiums per month (12)
 - Single - \$155.90
 - Couple - \$250.92
 - Family - \$426.08
- Deductible (Medical)
 - Individual - \$200
 - Family - \$600
- Deductible (Prescription)
 - None
- Out-of-Pocket Maximum
 - Individual - \$1500
 - Family - \$3000

■ High Deductible

- Premiums per month (12)
 - Single - \$78.49
 - Couple - \$126.33
 - Family - \$214.52
- Deductible (Medical)
 - Individual - \$1000
 - Family - \$3000
- Deductible (Prescription)
 - \$250 per individual
- Out-of-Pocket Maximum
 - Individual - \$3000
 - Family - \$6000

Cost Comparison

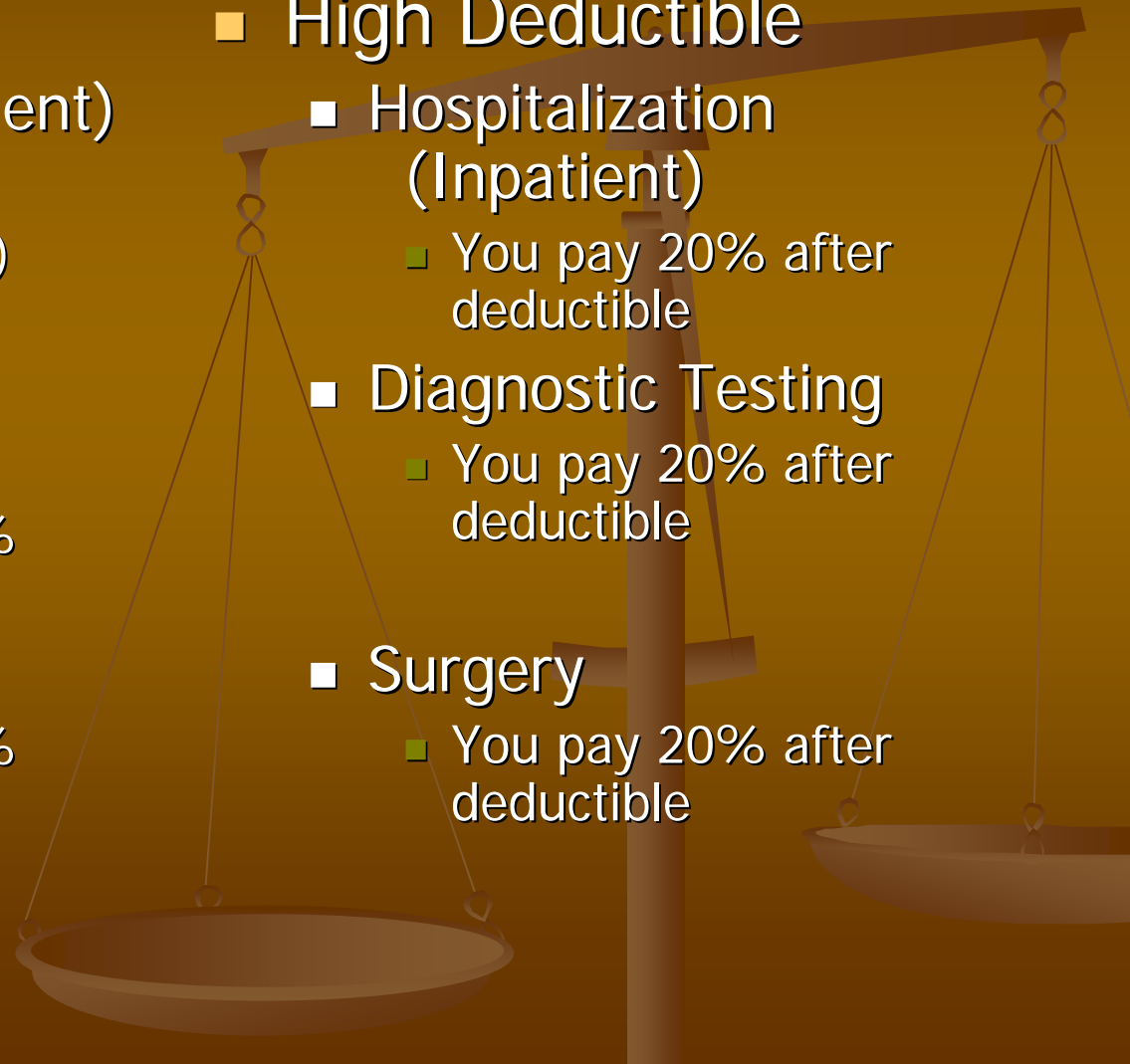
High Deductible vs. Traditional

■ Traditional

- Hospitalization (Inpatient)
 - \$100 Co-pay (Day 1)
 - \$75 Co-Pay (Days 2-7)
 - 100% coverage after deductible
- Diagnostic Testing
 - Most Covered at 100% after deductible
- Surgery
 - Most Covered at 100% after deductible

■ High Deductible

- Hospitalization (Inpatient)
 - You pay 20% after deductible
- Diagnostic Testing
 - You pay 20% after deductible
- Surgery
 - You pay 20% after deductible

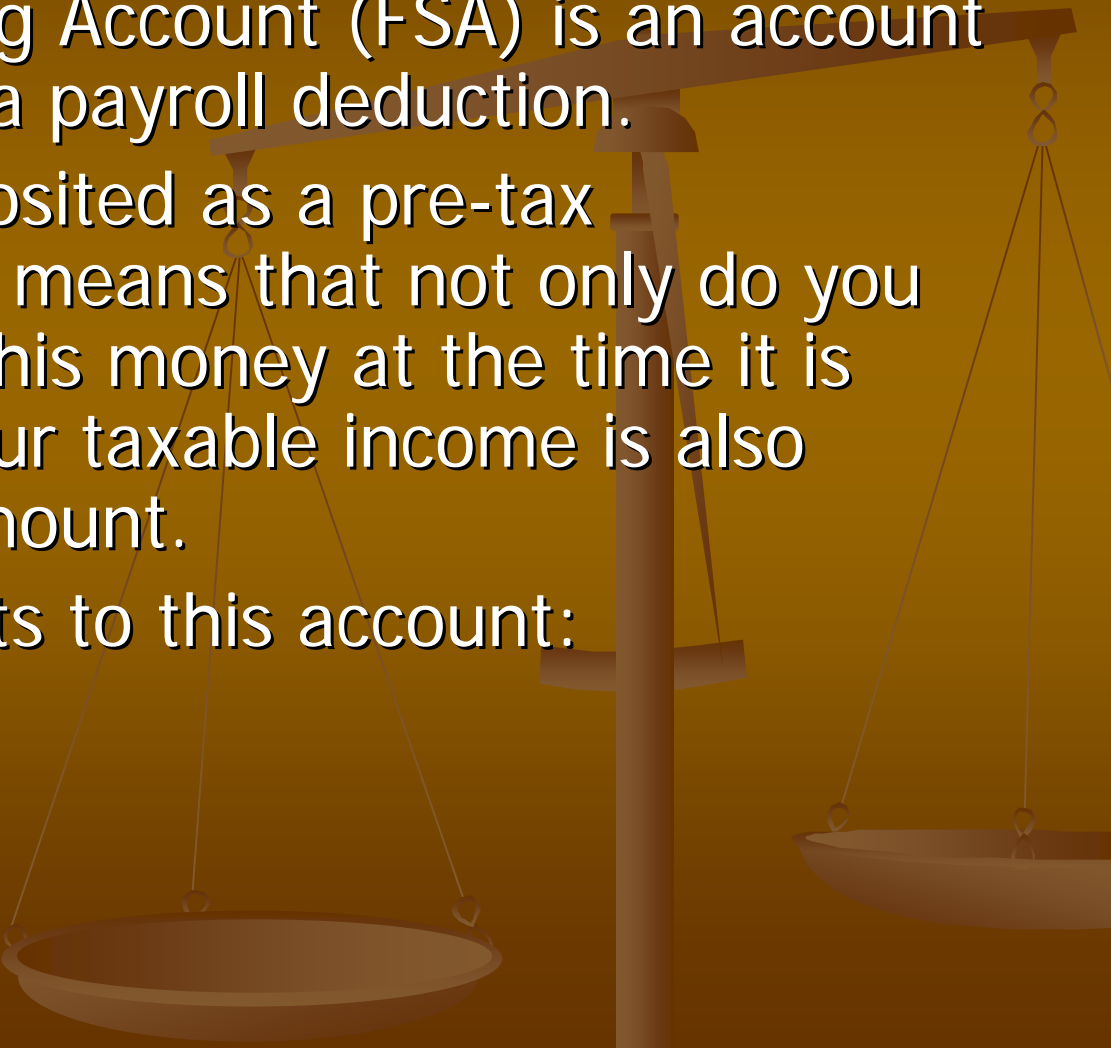


Summary



- Traditional Plans have a higher “up front” premium but lower costs when used.
- High Deductible Plans have a lower “up front” premium but have a higher cost when used, especially on initial Emergency Room, Hospitalizations, and testing.
- If you choose a High Deductible Plan, it is a good idea to save the premium difference for when you need to use it!

Flexible Spending Accounts

- A Flexible Spending Account (FSA) is an account which is funded via payroll deduction.
 - The money is deposited as a pre-tax contribution. This means that not only do you not pay taxes on this money at the time it is deposited, but your taxable income is also lowered by this amount.
 - There are two parts to this account:
 - Health Care
 - Dependent Care
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Pros & Cons of Flex Spending



■ Pros

- The account uses pre-tax dollars.
- It is funded by payroll deduction, so it's an "automatic" form of savings.
- Health care accounts come with a "Benefits Card" which acts as a credit card with a preset spending limit.
- Deductions are made in equal increments over a 10 month period.
- The entire amount of your contribution is available to you the first day of the plan year.
- If you elect to put at least \$1000 in the account each year for health care costs, the district pays any and all administrative fees.
- You can contribute to the Health Care Account, the dependent care account, or both accounts.

■ Cons

- It is a "use it" or "lose it" account.
- If you elect to contribute less than \$1000 per year, there is a small administrative fee.

Example of Money Saved

WITHOUT SECTION 125 FSA

Monthly Salary \$3,000.00
Taxes
(30% Federal, State and FICA). – 900.00
After-tax Medical Insurance . . . – 20.00
Take Home Pay \$2,080.00

Dependent Care Costs – 400.00
Supplemental Group
Term Life Premium – 10.00
Out-of-pocket
Health Care Costs – 100.00
FSA Administration Costs N/A
Spendable Income \$1,570.00

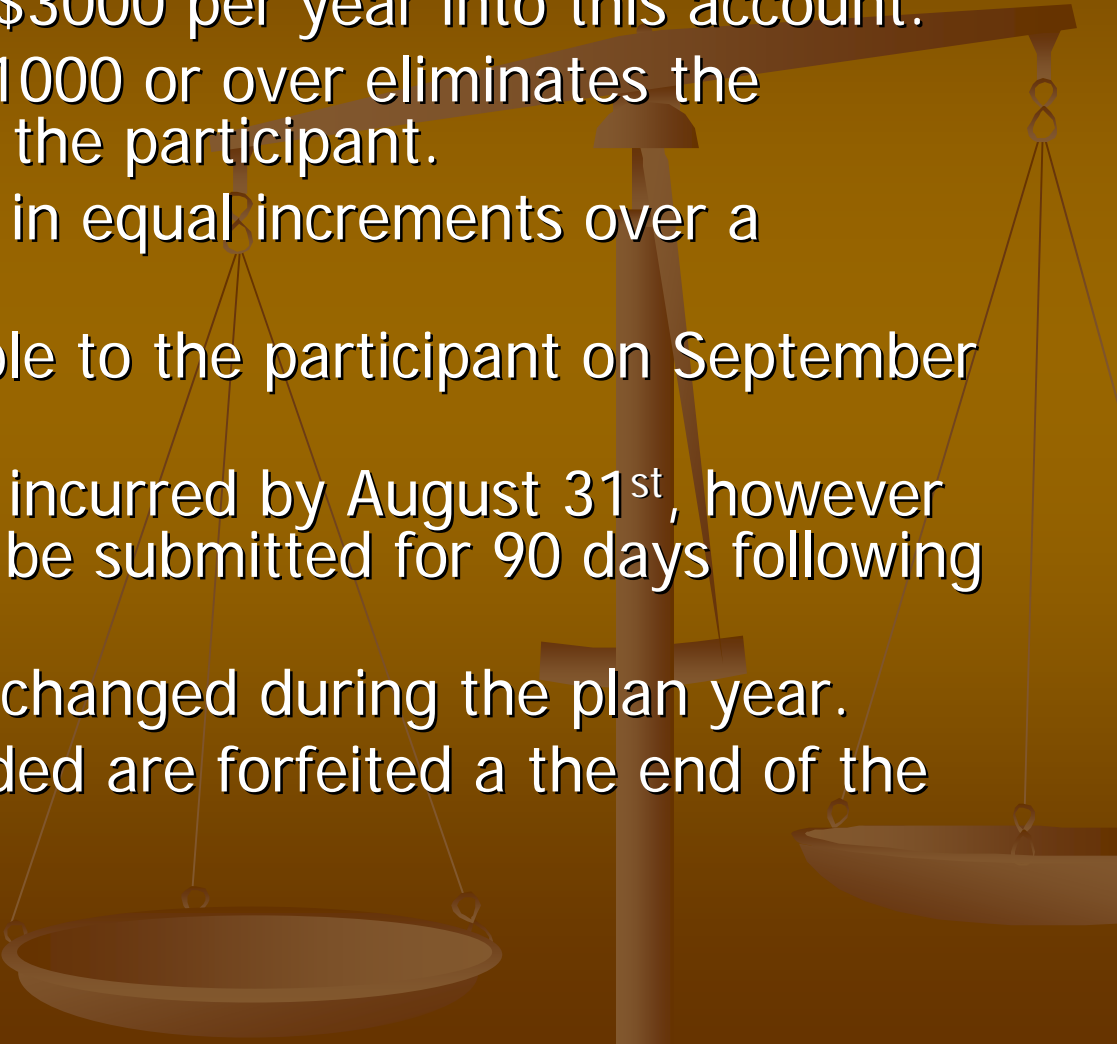
WITH SECTION 125 FSA

Monthly Salary \$3,000.00
Pre-tax Medical Insurance – 20.00
Dependent Care Costs – 400.00
Out-of-pocket
Health Care Costs – 100.00
Taxable Salary \$2,480.00

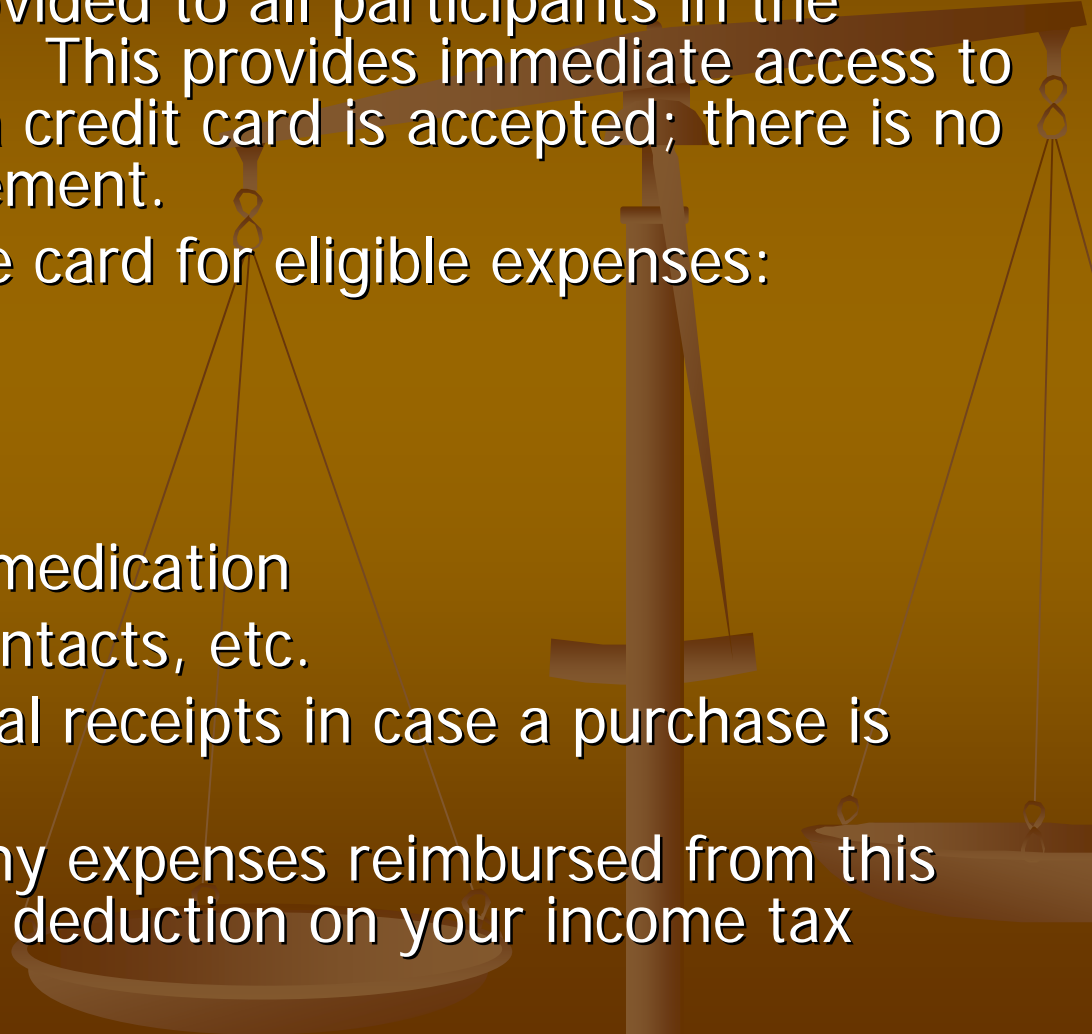
Taxes
(30% Federal, State and FICA). – 744.00
Supplemental Group
Term Life Premium – 10.00
FSA Administration Costs – 2.40
Spendable Income \$1,723.60

This leaves you with an extra \$153.60 per month!

Health Care Accounts

- You may defer up to \$3000 per year into this account.
 - Any contribution of \$1000 or over eliminates the administrative fee for the participant.
 - Deductions are made in equal increments over a 10-month period.
 - All monies are available to the participant on September 1st.
 - All expenses must be incurred by August 31st, however reimbursements may be submitted for 90 days following that date.
 - Elections may not be changed during the plan year.
 - All monies not expended are forfeited at the end of the plan year.
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Health Care Accounts (cont.)

- A benefits card is provided to all participants in the health care accounts. This provides immediate access to the funds wherever a credit card is accepted; there is no waiting for reimbursement.
 - You may only use the card for eligible expenses:
 - Co-pays
 - Medical expenses
 - Prescriptions
 - Over the counter medication
 - Eyeglasses and contacts, etc.
 - You must save original receipts in case a purchase is audited.
 - You may not claim any expenses reimbursed from this account as a medical deduction on your income tax return.
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Dependent Care Accounts

- This account is used to pay for care for someone who is your dependent, whether it is a child or a spouse or elder who is physically or mentally unable to care for themselves.
- You may defer up to \$5,000 per plan year (\$2,500 if married filing separately).
- You must provide bills in order to receive reimbursement for these expenses. Reimbursement takes approximately 2 weeks from submission.
- You may not claim any expenses paid from this account as a deduction on your income taxes.

Commonly Asked Questions

Q. How do I deposit money in my Flexible Spending Account?

A. Determine what you want your monthly contribution to be and your employer will automatically deduct that amount from your paycheck over a 10-month period (Sept.-June).

Q. How do I receive reimbursement from my Flexible Spending Account?

A. Complete an FSA reimbursement claim form, attach receipts for your qualifying expenses, and mail it to PEHP. Reimbursement checks or direct deposits will be issued to employees as promptly as possible.

Q. Is there a minimum amount of expenses that I must incur before submitting for reimbursement?

A. No. However, PEHP requests that you wait until you have \$25.00 or more in expenses to file a claim.

Q. If I don't use my account by the end of the plan year, may I carry it over to the next plan year and use it later?

A. No. IRS guidelines do not permit this practice. Amounts you contribute to your Plan during the year that are not used for reimbursement of eligible expenses by the end of the plan year, or during the two-and-one-half months ending on the 15th day of the third calendar month immediately following the plan year, must be forfeited. The balance will revert to your employer.

Q. Will I earn interest on the money held in my Flexible Spending Account?

A. No. Interest will not be earned on contributions to these accounts. Since you are reimbursed regularly from your account, any interest earnings would have been minimal anyway.

Commonly Asked Questions (cont.)

Q. *May I make additional lump sum contributions to my account?*

A. No. You may not make any contribution to your account other than the pre-elected payroll deducted monthly contribution.

Q. *May I submit a claim for services that I received prior to the beginning of my current FSA plan year?*

A. No. Only expenses which have been incurred from the first day of your plan year through the last day of your plan year, or during the two-and-one-half months ending on the 15th day of the third calendar month immediately following the plan year, may be reimbursed. An expense is incurred when you receive the service, not when you are billed or pay for it.

Q. *What if I incur my expenses during the plan year but submit them for reimbursement after the end of the plan year?*

A. Your account will be held open for three months following the end of the plan year. During that time you may continue to submit eligible expenses which were incurred during that plan year.

Q. *May I change or cancel my elected contribution amount during the plan year?*

A. No. IRS guidelines do not permit you to change or terminate the amount of contribution to a Flexible Spending Account during the plan year, unless there is a change in family or employment status.

Commonly Asked Questions (cont.)

Q. *What if I terminate my employment during the plan year?*

A. If you terminate your employment during the plan year, you have 90 days to submit and be reimbursed for eligible expenses that were incurred up to your termination date.

Q. *Will the amounts I contribute to Flexible Spending be included as income on my W-2 form?*

A. Amounts contributed to the Flexible Spending Account are not considered wages and thus, are not included as annual earnings on your W-2 form.

Q. *Since I won't be paying Social Security taxes on a portion of my salary, how will this affect my future Social Security benefits?*

Considering the amount of salary which will not be taxed, the effects should be minimal.

Q. *Could I use my contributions towards a dependent care account as a credit on my income tax?*

A. No. IRS guidelines do not allow this. It would be considered "double dipping" since you would be using the same expense twice to reduce your taxable income.

Q. *What are examples of a change in family or employment status?*

Marriage, divorce, birth, adoption, death, termination of employment, or significant change in the number of hours worked.

Commonly Asked Questions (cont.)

Q. *If I do have a family status change, how do I go about changing my contribution amounts?*

A. Any change in contribution due to change in family or employment status must be submitted in writing within 60 days after the change in status. A change-in-status form must be completed and submitted to your employer. Your employer will forward the changes with a copy of your written request to PEHP.

Q. *Could I use my insurance premium and the expenses for which I received reimbursement under the Health Care account as a deduction on my income taxes?*

No. This is also considered "double dipping" since you would be using the same expense twice to reduce your taxable income.

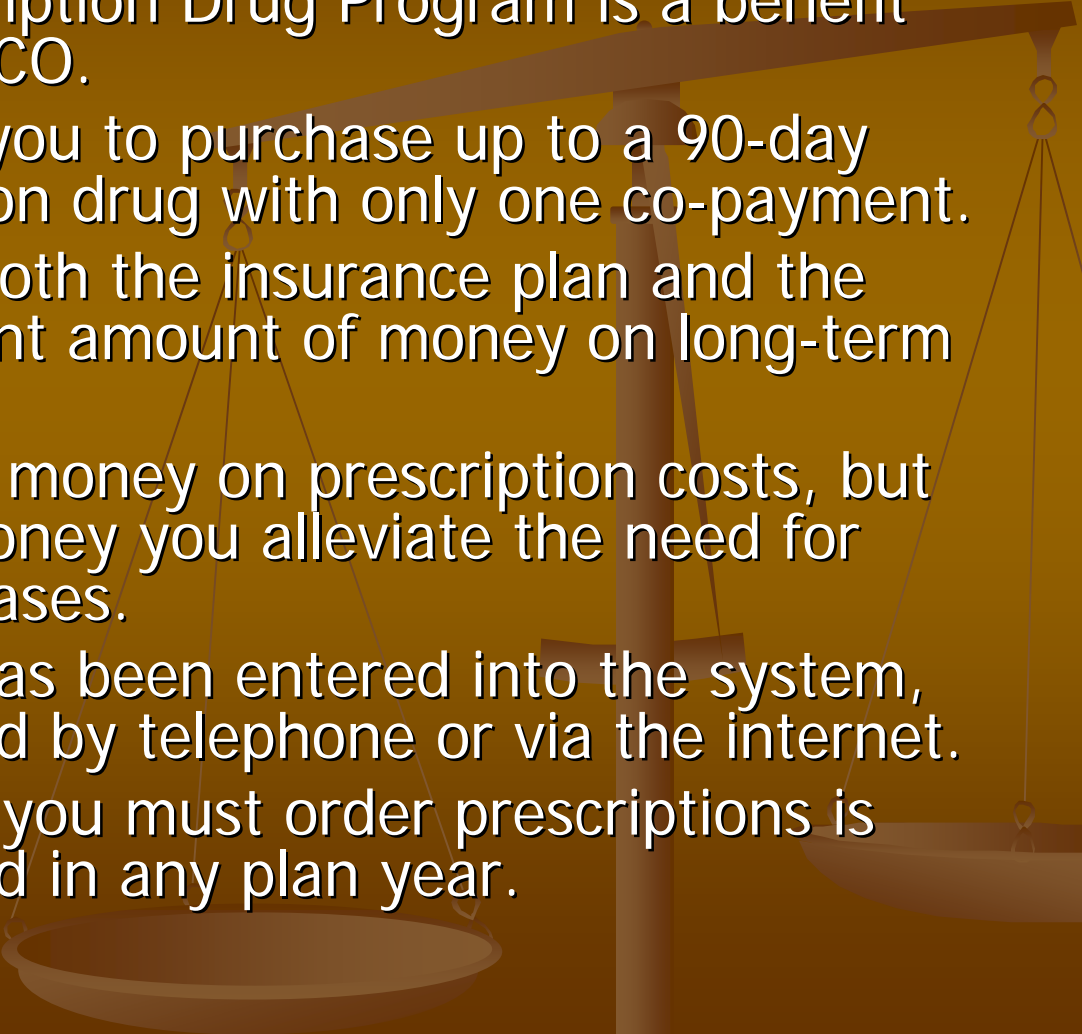
Q. *Am I better off taking a tax credit for dependent children care or using the Flexible Spending Dependent Care account?*

If your income exceeds \$15,000, or you have a combined income of \$18,000, you may be better off using the Flexible Spending Dependent Care account. If you have additional questions, consult your financial advisor for your specific situation.

Q. *How much does my Flexible Spending Account Program cost me?*

A. An administration charge per month will be assessed. This is deducted ten times (Sept.-June) and prorated per month.

Mail Order Prescription Drug Program

- The Mail Order Prescription Drug Program is a benefit administered by MEDCO.
 - This program allows you to purchase up to a 90-day supply of a prescription drug with only one co-payment.
 - This program saves both the insurance plan and the participant a significant amount of money on long-term prescription needs.
 - Not only do you save money on prescription costs, but by saving the plan money you alleviate the need for future premium increases.
 - Once a prescription has been entered into the system, refills can be managed by telephone or via the internet.
 - The number of times you must order prescriptions is significantly decreased in any plan year.
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Mail Order vs. Retail Pharmacy



- Retail Pharmacy is the preferred option when:
 - A medication is needed immediately.
 - When the medication will be used on a short-term basis (6 months or less).
 - In the initial phase of a medication regime where doses are being adjusted.
- Mail Order Pharmacy is the preferred option when:
 - A medication is on-going or of extended duration.

How to Use the Mail Order Program

■ **New prescriptions:**

- Ask the physician for a sample medication. If medication is required immediately, but will be taken on an on-going basis, ask the doctor to write two prescriptions: the first, up to a 30-day supply, to be filled at a retail pharmacy; the second, up to a 90-day supply (with up to three refills), to be filled through the mail order prescription drug plan.
- Send the second prescription along with the order form and the appropriate co-payment to the participating mail order prescription drug provider.

■ **Prescriptions currently being taken:**

- Obtain a new, written prescription from the physician. (In most cases, one can be obtained by calling the physician's office.)
- Send the new prescription along with the order form and the appropriate co-payment to the mail order prescription drug provider.
- Important: Sign the order, indicating that the prescribed drugs are for the covered person or covered family members. Unsigned orders will be returned unfilled.

How to Use the Mail Order Program (cont.)

- The participating mail order prescription drug plan will process the order and return it via U.S. Mail or UPS, along with instructions for future refills. Allow up to 14 days for delivery from the time the Covered Person mails the prescription.
- **Refills:**
 - With the original prescription medication, the Covered Person will receive a notice showing the number of times it may be refilled.
 - You may mail this refill notice with the co-payment for each prescription in the order envelope provided.
 - You may call the number on your prescription bottle and order the refill over the phone.
 - You may manage your prescription needs via the internet at www.medco.com
- Refills should be ordered at least two weeks before they are needed.

Planning: The Key to Savings



- Both the Flex Spending and Mail Order Prescription Programs can produce a significant savings of your Health Care Dollars. Successful use of these programs requires careful planning.
- Do
 - Map out your expected medical expenses.
 - Plan ahead and ask your doctor questions about any medication prescribed.
 - Be proactive and ask for two prescriptions where necessary.
 - Do use your Benny Card whenever possible, and request reimbursement when it isn't possible to use the card.
 - Always Keep Receipts!
- Don't
 - Wait until the last minute to refill a mail order prescription.
 - Let money in your flex account revert to the district. If the end of the plan year is approaching and you have money left:
 - Buy a year's supply of contact lenses or a new pair of glasses.
 - Buy a quantity of over the counter medication that you regularly use.
 - Take the High Deductible plan without setting aside additional monies to pay the additional expenses.

Planning: The Key to Savings

- Decide Carefully
 - Which plan to pick
 - How much to put in flex
 - When to use mail order vs. retail pharmacy
- Be a Savvy Consumer
- Take Control of Your Health Care Dollars!

