
INTEROFFICE MEMORANDUM

TO: All Eligible Employees
FROM: Bart Goering, Superintendent
SUBJECT: Employee Benefit Plan Renewal
DATE: May 12, 2009

September 1, 2009 marks the renewal of Spring Hill School District's Employee Benefit Program.

Please review this memo carefully for information about your benefits and our upcoming open enrollment meetings.

Medical Plan

It has always been important to the District to maintain a high quality plan, while maintaining choices for our employees and their dependents. Due to increased utilization in our plan, we will experience plan and rate changes effective September 1, 2009.

We have also determined that it is in the best interest of the District to renew this plan for 16 months to get us on a January 1 renewal date. The reason for this is because the BCBS plans run on a calendar year basis. What this means is that any deductibles or out-of-pocket maximums start over on January 1 every year. Please keep in mind that whichever plan you choose effective September 1, 2009 will be the plan you will have until December 31, 2010. The exception to this rule is for those people that are interested in the Qualified High Deductible Health Plan (QHDHP). BCBS is allowing a special open enrollment for the QHDHP effective January 1, 2009. This means that if you elect a traditional HMO or PPO effective September 1, 2009 you will then be given an additional opportunity to enroll in the QHDHP for January 1, 2010. This special enrollment period will most likely take place in October or November 2009.

The District currently offers a HMO, PPO and a Qualified High Deductible Health Plan (QHDHP). We will continue to offer three plans; however there will be significant plan design changes.

Please note: If you do not turn in an enrollment form you will automatically be enrolled in the same type of plan you are currently in. For example, if you are currently in the HMO you will be enrolled in the new HMO. If you are in the PPO, you will automatically be enrolled in the new PPO. If you are currently enrolled in the QHDHP, you will automatically be enrolled in the new QHDHP.

If you are currently in the HMO, here are some of the changes you can expect:

- Inpatient / Outpatient surgical copays will go from \$300 per day up to \$1,500 per member per calendar year to \$500 per day up to \$2,500 per member per calendar year.
- Office Visit copays will go from \$25 PCP / \$50 Specialist to \$30 PCP / \$60 Specialist.
- Urgent Care will go from \$50 to \$60
- Prescription Drugs will go from \$10/\$30/\$50 to \$10/\$50/\$70.
- ER will go from \$75 to \$200.

If you are currently in the PPO, here are some of the changes you can expect:

- Prescription Drugs will go from \$10/\$30/\$50 to \$10/\$50/\$70.

If you are currently in the QHDHP, here are some of the changes you can expect:

- The current Deductible is \$1,500 if you are enrolled as an Individual or \$3,000 if you are enrolled as a Family. With the Family coverage, one person could satisfy the entire \$3,000 deductible. On the new QHDHP, the Deductible will be \$2,500 Individual / \$5,000 Family. The main difference is that no one person in the family can satisfy more than \$2,500.
- Out of Pocket Maximum will go from \$1,500 Individual / \$3,000 Family to \$2,500 Individual / \$5,000 Family.

Qualified High Deductible Health Plan with a HSA

Over the last several years, you have probably heard a lot about the concept of consumer driven health care. As health insurance costs have continued to increase due to an aging population, state-of-the-art technology, increased cost and prescribing of prescription drugs, and greater occurrence of “lifestyle-related” conditions, the savings once achieved through tightly managing health care delivery has been outpaced by inflation and rejected by consumers who demand more freedom. The industry is coming full circle, with insurers returning to high deductible, catastrophic policies of old, updated with an emphasis on wellness and personal responsibility.

The QHDHP will have a \$2,500 Individual/\$5,000 Family Deductible. Every service, including prescription drugs, will go towards the Deductible. However, once you have satisfied the Deductible amount, all medical services will be paid at 100% for the remainder of the plan year. The QHDHP is accompanied by a Health Savings Account (HSA). An HSA plan combines a lower premium, High Deductible Health Plan with an employee-directed, tax-advantaged savings account.

If you enroll in the QHDHP, you may set up a Health Savings Account (HSA). The HSA account allows you to set aside money on a pre-tax basis to help you pay for qualified medical, dental and vision expenses or save for retirement. This account works similar to the traditional Section 125 Flexible Spending Account (FSA); however, **unused funds will roll over from year to year instead of being lost at the end of the plan year.**

On the BCBS QHDHP Plan:

- The office visit copay is eliminated, except for preventive services. All charges related to diagnostic office visits and hospital services will apply to your deductible. The plan provides 100% coverage in-network after the deductible is met, so all remaining charges are paid in full. The deductible is also waived for preventive services.
- Prescription drugs also apply to the medical plan deductible. After the full deductible is met they are paid at 100% for the remainder of the year.
- If you remain in-network, you will still benefit from the BCBS contracts with their network providers. Only the discounted "allowable" amount will apply to your deductible, not the full billed charge. Contracted discounts average 40-50% savings.
- Your deductible is offset by reduced premiums and the contributions you make to your HSA. These funds roll over year to year, and can eventually provide full reimbursement of all out-of-pocket costs. You may contribute up to \$3,000 for an Individual or \$5,950 for a Family per calendar year (as of 1/1/09).

On the HSA:

- If you enroll in the QHDHP, the District will contribute \$81.30 per month to your HSA. You may contribute additional funds on a pre-tax basis until you reach a combination of District contributions and personal contributions limit of \$3,000 for an Individual or \$5,950 for a Family per calendar year.

- You may use the HSA funds for the same type of things covered by a Section 125 Flexible Spending Account (e.g. dental, vision, and prescription drug out-of-pocket costs), and some things which the Section 125 plan does not allow: COBRA premium, retiree health insurance premium other than Medicare supplement policies, Long Term Care insurance premiums, and health insurance premiums if you are receiving unemployment.
- With the HSA, you have a triple tax advantage: contributions are tax-deductible (no Federal, State, or Employment taxes are deducted), earnings on your balance and investments are not taxed, and funds withdrawn for qualified medical expenses are not taxed.
- The money in the HSA is always yours to use – even if you change back to a traditional medical plan at open enrollment, retire or leave the District.
- Your current Flexible Spending Account (FSA) runs August 15 - August 14. If you are currently enrolled in the Flexible Spending Account (FSA) and intend to enroll in the QHDHP effective September 1, 2009 you **MUST** zero out your FSA by August 31, 2009. If you intend to take advantage of the special open enrollment period for January 1, 2010 then your FSA **MUST** be zeroed out by December 31, 2009. Due to IRS regulations, you can not have a FSA and contribute to a HSA at the same time.
- If you are currently enrolled in the FSA and intend to enroll in the QHDHP effective September 1, 2009 you can not use your HSA funds for expenses incurred prior to September 1, 2009. You will need to use the money from your FSA for any expenses prior to September 1. This is because your HSA can not be established until your FSA is zeroed out.
- **Please remember – you are not eligible to set up an HSA if you OR your spouse has a Medical Expenses FSA account or secondary insurance coverage such as another employer’s group medical plan, individual medical coverage, Medicare, or Tricare.**

Who is eligible to participate in an HSA?

- Those covered by a qualified QHDHP. Employees, dependent spouses and/or children who are also covered by any non-qualified plan, including Medicare, are not eligible for the HSA. You are also ineligible if you and/or your spouse are contributing to a Section 125 FSA plan that is not a LIMITED FSA. You may have a Dependent Day Care Expense Account or participate in the Premium Savings program – these will not disqualify you.
- If you own an HSA account and later enroll in a non-qualified plan, you will not be able to contribute any further into the HSA, but your account will continue to accumulate interest. You may also withdraw from the account for qualified medical expenses for you and your dependents.

What are some of the advantages of an HSA?

- Less monthly premium paid on a qualified QHDHP allows for discretionary employee contributions into a personal Health Savings Account, which is then used to offset the cost of your healthcare services.
- An HSA works much like an IRA. The money is *yours*, and rolls over year to year, accumulating as you age, as you move from employer to employer, and from one qualified HDHP to another. Depending on the HSA vendor, you may be able to direct how those funds are invested, and a 2-4% annual investment return is often guaranteed.
- Contributions and investment earnings are tax-free, as are disbursements from the account to pay for qualified expenses. Funds withdrawn for non-qualified expenses will be assessed a 10% penalty in addition to normal taxation. The penalty is waived in the event of death, disability, or attainment of Medicare eligible age.

- Besides your health plan deductible, HSA qualified medical expenses include the same type of things covered by a Section 125 Flexible Spending Account (e.g. dental, vision, and prescription drug out-of-pocket costs), and some things which the Section 125 plan does not allow: COBRA premium, retiree health insurance premium other than Medicare supplement policies, Long Term Care insurance premiums, and health insurance premiums if you are receiving unemployment.

Dental Plan

The District's dental plan is currently insured by Delta Dental of Kansas. We are pleased to announce there will be no plan changes.

Open Enrollment Meetings

This is the time of year that allows you the opportunity to add or delete dependents. It is our intention to conduct Open Enrollment Meetings where we will describe the plans in detail and answer questions. Those meeting dates and times are not yet determined. Please watch for additional communications containing this information.

Rates

The rates for our plans can be found at: <http://www.usd230.org/usd230/hr/benefits.html>

Conclusion

We are pleased to be able to provide these benefits to our employees, and we will continue to look for ways to get the most out of each benefit dollar.

If you have any questions regarding these plans, or any other matter related to our benefit plans, please feel free to contact Nancy Miller at 913/592-7202, Doug Schwinn at 913/592-7204, Kristin Grace or Maggie Releford from our broker consultant, CBIZ Benefits and Insurance Services at 913/234-1000.