

Frequently Asked Questions and Answers: Focus on Health Savings Account and Health Reimbursement Account

1. What is a Consumer-Driven Health Plan (CDHP)?

A CDHP is a medical plan that engages you in managing your own health care expenses and improving your health with respect to factors you can control. CDHPs also provide you with online tools and resources to help you get reasonable prices for the health care you need, track your expenses, and maintain your health.

CDHPs also typically offer a personal spending account—either a Health Reimbursement Account (HRA) or a Health Savings Account (HSA)—in combination with a “high deductible health plan”. This personal spending account can be used to pay the plan deductible and other out-of-pocket, eligible health care expenses. Each type of account has its own rules and advantages. While most companies offer one or the other, Hypertherm is offering you both for 2019. For more information on each, please see the questions that follow.

2. What are the advantages of enrolling in a CDHP?

CDHP's offer you a lot of advantages, including the following:

- Lower per-pay contributions: The CDHP offers very competitive rates, which are typically lower than what you'd pay to participate in a traditional medical plan, like the Open Access Plan (OAP).
- Tax-free benefits: Your employer's contribution to the personal spending accounts, along with any of your own as allowed, are not subject to federal income taxes. You can draw on your account to pay for eligible health care expenses on a tax-free basis.
- Comprehensive medical benefits: In-network preventive care is paid at 100% (no deductible or copay). For other services, the plan pays a percentage of the cost after you meet the annual deductible. Plus, the CDHP includes a cap, which limits how much you pay out of pocket for covered medical services in a given year.
- Support to make the most of your money: You can access to online tools and resources to help you make important decisions about your health care and manage your HRA dollars. Find them at MyCigna.com or at the myCigna app, which you can download to your mobile device.

3. What is a Health Savings Account?

An HSA is a tax-advantaged savings account that allows you to put aside pre-tax income, earn interest on your savings, and use tax-free savings to reimburse yourself for eligible health care expenses. An HSA allows you to pay for a portion of the annual deductible for you and your covered dependents, and is funded by your employer (on January 1, 2019) when you enroll in the CDHP. You also have the option to make your own pre-tax contribution up to IRS limits of \$3,500 and \$7,000.

An HSA offers you many advantages, including the fact that you can choose whether to use the funds for current expenses or pay out of pocket, and save them for later—even retirement. If you haven't used all of the money in your HSA at the end of the year, it rolls over to the next year. Your money can also earn interest. Once you reach a minimum balance in the account, you can invest the dollars. And you own your HSA, so if you leave the company, change to a medical plan other than the CDHP, or retire, you'll keep any unused money in the account.

4. Who is eligible to open an HSA?

Anybody who meets the following requirements:

- You are covered by an HSA-compatible health plan and not covered under any other medical plan that is not HSA compatible, such as being enrolled as a dependent under your spouse's plan as secondary coverage or an executive medical plan.
- You also may not be participating in a general purpose Health Care Flexible Spending Account (FSA), either directly as a Hypertherm employee or indirectly as someone else's independent.
- You must be enrolled in the plan on the first day of the month (otherwise, your eligibility to make contributions to your HSA begins the first day of the following month). You may make the maximum annual HSA contribution for the year regardless of the month you become eligible.
- You cannot be enrolled in a Medicare.
- You can't be claimed as a dependent on someone else's tax return.
- You may not be in active military service or if you are a veteran, you may not have received veteran's benefits within the last three months.

5. How is my HSA funded?

Both you and Hypertherm are allowed to put money into an HSA. You contribute pre-tax money to your account. Others may contribute to your account as well. The total of all contributions (yours and Hypertherm's) cannot exceed the annual maximum of \$3,500 and \$7,000, as defined by the U.S. Treasury and the IRS.

6. How do I make contributions to my HSA?

The easiest way is through pre-tax payroll deductions. However, you may also make HSA contributions on a post-tax basis directly to Cigna, the custodian of the account. There are several methods available, including direct deposit, funds transfer, wire transfer, check or money order. Whatever method you choose, it's important to remember that you are responsible for making sure the total amount (Hypertherm's contributions plus yours) do not exceed the annual limits.

7. If I elect the HSA, when will Hypertherm fund my account?

Your account will be funded on January 1, 2019.

8. What expenses are eligible for reimbursement from the HSA?

Expenses that can be reimbursed are generally those expenses allowed by the IRS as tax-deductible health care expenses that you incur AFTER you have set up your HSA. Some examples include ambulance services, dental treatment, hospital services, premiums and expenses for long-term care insurance and more. These expenses may not be eligible for reimbursement by another health care plan. Eligible expenses are listed in IRS Publication 502 (Medical Expenses). You can download at www.irs.gov or call 1-800-TAXFORM to request a copy.

9. How do I use my HSA to pay for qualified health care expenses?

You can use a debit card that will be mailed to your home once you open your account. Online bill payment or autopay through myCigna.com, where you can link your Cigna medical claims to your HSA. Then, you can set your account to pay these expenses automatically or on a claim-by-claim basis.

You do not need to submit receipts for reimbursement, but it's recommended to save your receipts anyway for tax purposes. You can easily enter expense information and upload receipts and supporting documentation into Cigna's online expense tracker.

10. If I enroll in the HSA, can I still use the Hypertherm Associate Wellness Center (HAWC)?

Yes. You may go to the HAWC for preventive services like physical exams, flu shots, coaching and occupational health, at no cost as you would at any other doctor's office. However, you'll have to pay Cigna-discounted rates for non-preventive services, like pharmacy and disease management.

11. What are the tax benefits of an HSA?

There are three ways you save money on your taxes by having an HSA:

1. Contributions. They're taken out of your paycheck before taxes, which reduces your taxable income.
2. Withdrawals. Funds you use to pay for eligible expenses are not taxed.
3. Earnings: The funds in your account earn tax-free interest. You can invest amounts over \$2,000 in the investment options available, and any earnings are also tax free.

12. How can I invest my unused HSA dollars?

You'll need to have a minimum balance of \$2,000 in your account to begin investing. Once you do, you can invest any additional amount two ways:

1. A mutual fund managed by DEVENIR that includes a preselected group of no-load mutual funds offering a variety of fund families and asset classes.
2. A brokerage option powered by TD Ameritrade, that gives you access to stocks, bonds, and thousands of mutual funds (trading fees apply).

13. Can I have an HSA and a Flexible Spending Account?

Under current IRS rules, you may not contribute to both an HSA and an FSA, unless the FSA is defined as a "Limited Purpose" FSA, which Hypertherm is offering for 2019. A Limited Purpose Health Care FSA is similar to a general purpose FSA in that a) you decide how much to contribute, b) you contribute using pre-tax payroll deductions, and c) you can carry over \$500 into the next plan year. It's different in that a Limited Purpose FSA only reimburses you for dental and vision expenses.

14. If I'm enrolled in the HSA plan, how does it work when I go to the doctor?

Instead of paying a copay each time you visit the doctor, you are responsible for the entire cost of the visit and any treatment, including prescription drugs, you receive until the annual deductible is met. Remember that the CDHP allows you to use your HSA to pay for eligible health care expenses, including the deductible. (Or, you can pay out of pocket and save the money in your HSA for future expenses. The choice is yours.)

In many cases, in-network providers will submit your claim to your medical insurance carrier and wait for it to be processed before billing you for payment. However, there may be times when a provider may ask you for payment up front, especially if you use an out-of-network provider. Depending on the type of service, your provider may be able to give you an estimate of the amount of your financial responsibility before you received services.

15. Does the HSA limit the amount I'll pay out of pocket in a given year?

Yes. Like most traditional health plans, the CDHP limits the amount you pay out of pocket for covered expenses in a given plan year. Once you reach this limit, the plan will pay 100% of the applicable plan allowance for covered services for the remainder of the year.

In-network expenses that count towards the out-of-pocket limit include the deductible, copays and coinsurance. Out of network expenses include the deductible and coinsurance.

16. What is a Health Reimbursement Account?

An HRA is an account that allows you to pay for a portion of the annual deductible for you and your covered dependents. If you remain covered in the CDHP, you will receive a contribution from Hypertherm at the start of each new plan year. Only Hypertherm, as your employer, can contribute to this account. This amount is then used to help you pay for a portion of deductible and eligible medical expenses for that year. You won't need to fill out any claim forms if you use providers in Cigna's network, as your eligible medical expenses are automatically paid from your HRA balance. If any funds remain in the account at the end of the year, they do not roll over. It's important to note that you don't own your HRA so if you leave the company or change to a medical plan other than the CDHP, you'll forfeit any unused funds in the account.

17. Who is eligible to open an HRA?

Anyone who enrolls in the HRA Plan, as set up by Hypertherm, is eligible to enroll in the HRA.

18. How is my HRA funded?

Only Hypertherm can put money into the HRA on your behalf.

19. Can I have an HRA and an FSA?

Yes. If you enroll in the HRA Plan, you can still use the Health Care FSA to pay for eligible expense with pre-tax dollars. If an expense is eligible for reimbursement by both the HRA and the Health Care FSA, it will be paid first from your HRA, provided there is a balance in your account. Then any remaining expenses can be submitted for reimbursement from the Health Care FSA.

20. Does the HRA limit the amount I pay out of pocket?

Yes, it operates similar to the HSA Plan in that it also limits the amount you pay out of pocket for covered expenses in a given plan year. Once you reach this limit, the plan will pay 100% of the applicable plan allowance for covered services for the remainder of the year. For more information, review your enrollment guide.

21. Where can I go for more information about my medical coverage and account balances?

Go to MyCigna.com to take advantage of decision-support tools and resources to help you make good enrollment choices and to manage your benefits throughout the year.