



# Understanding

the **Consumer-Driven Health Plan**  
and **Health Savings Account**


A. H. BELO CORPORATION





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The Consumer-Driven Health Plan (CDHP), coupled with a Health Savings Account (HSA), is an innovative health plan that helps reduce health care costs by actively engaging participants in their own health care decisions. It provides greater choice, flexibility and control over how health care dollars are spent.

## Features of CDHP with an HSA

- 100% coverage for preventive and wellness care through network providers.
- Certain preventive prescriptions for the copay/coinsurance payment with a waived deductible.
- All qualified employee-paid medical expenses count toward the deductible and out-of-pocket maximum.

## Understanding the HSA

An HSA is a personal health care bank account that you can use to pay out-of-pocket medical expenses with pre-tax dollars.

You are eligible to open and fund an HSA if:

- You are enrolled in an HSA-eligible Consumer-Driven Health Plan (CDHP).
- You are not covered by your spouse/domestic partner's health plan, health care flexible-spending account (FSA) or health reimbursement account (HRA).
- You are not eligible to be claimed as a dependent on someone else's tax return.
- You are not enrolled in Medicare or TRICARE for Life.
- You have not received Veterans Administration benefits during the last three months.

You can use Health Savings Account (HSA) money to pay for qualified medical expenses now or in the future. Your HSA can be used for your expenses and those of your spouse and dependents, even if they are not covered by the CDHP. You will receive a debit card, giving you direct access to your account balance. Any time you have a qualified medical expense you may use your debit card to pay these out-of-pocket expenses.



# Your HSA Highlights

- A. H. Belo contributes funds into your HSA when you're enrolled in the Blue Cross and Blue Shield of Texas (BCBSTX) CDHP except for employees who earn \$100,000 or more annually (see Employer HSA Contribution).
- You may also contribute to the account through pre-tax payroll deductions.
- Funds withdrawn from your HSA to pay qualified medical expenses are tax free.
- Your HSA balance grows with tax-free interest and some financial institutions offer investment opportunities that will also grow tax free.
- Any unused funds in your HSA will roll over from year to year.
- Your HSA is portable. If you leave A. H. Belo or retire, you can take your account and its balance with you.

# Opening an HSA

Once you enroll in the CDHP Medical Plan, you will need to open your HSA. An HSA is a real bank account that you own. **Note: Enrolling in the CDHP does not automatically provide the HSA. You must open it to fund it.**

You have the following options for opening your new HSA:

ONLINE	<a href="http://www.401k.com">www.401k.com</a>
BY PHONE	800-835-5098





## Tracey Asks: How Do My CDHP and HSA Work Together?



- Tracey is single. Her CDHP covers preventive care at 100% and has a deductible of \$2,000.
- The costs of her routine physical exam and other preventive care are covered completely by her health plan.
- Tracey takes prescription medication on a regular basis. She is responsible for paying for her prescriptions and other medical care until she has paid \$2,000 — the amount of her deductible.
- After that, she is responsible for paying 20% of the cost — what’s called coinsurance — until she reaches her plan’s out-of-pocket limit of \$4,000.

Expense	Charge	What the Plan Pays	What Tracey Pays
Annual Physical Exam	\$500	\$350	\$0*
Medical Care	\$2,500	\$400	\$2,000 + \$100 (Deductible + Coinsurance)**
<b>TOTALS</b>	<b>\$3,000</b>	<b>\$750</b>	<b>\$2,100</b>

### Tracey Opened an HSA

- She uses pre-tax payroll deductions and direct deposit, available from her employer, to save \$2,500 in her HSA.
- Her federal tax savings with her HSA is approximately \$816.\*\*\*
- Even if she uses the HSA to reimburse herself for all of her out-of-pocket expenses, she has still saved \$816.
- At the end of this year, she’ll have \$400 left over to use for next year’s qualified medical expenses.

HSA Deposits	\$2,500
Federal Income Tax Savings on Deposits***	\$816
Total Out-of-pocket Cost (Deductible + Coinsurance)	\$2,100
<b>Account Carries Forward</b>	<b>\$400</b>

\* Plan covers preventive care at 100%. Plan’s negotiated rates with Tracey’s physician apply.

\*\* Plan calls for 20% coinsurance once the deductible is met, up to maximum out-of-pocket expense of \$4,000.

\*\*\* Assumes Tracey is in the 25% federal tax bracket and lives in a state where HSAs are not taxed. She also saves 7.65% in Social Security and Medicare (FICA) taxes.

Plus, keep in mind with the CDHP and HSA option, Tracey will likely pay less in premiums than if she was covered by another type of health plan.



# Using Your HSA to Pay Medical Expenses

You may use your health savings account to pay for qualified medical expenses, such as doctors' office visits, hospital care and prescription drugs. You may also use it to pay for dental care, vision care and over-the-counter medication if you have a doctor's prescription.

When you visit a network provider (doctor, pharmacy, hospital, etc.), the provider will automatically submit your claim. HSA funds can be used for medical expenses that you, your spouse and/or dependent(s) incur, even if your spouse and/or dependent(s) are not covered under your CDHP. You may also use your HSA funds to pay for health insurance premiums while you are unemployed, long-term care insurance premiums and, once you reach age 65, Medicare premiums.

## Annual Maximum Contributions

The annual maximum amount that can be contributed to an HSA from all sources, including the money that A. H. Belo contributes, is set each year by the U.S. Treasury Department. The annual contribution maximum is based on the coverage option elected.

2017 IRS Maximum Contributions	
Individual	\$3,400
Family	\$6,750
Catch-Up Contribution (ages 55 and older)	\$1,000

## Employer HSA Contribution

A. H. Belo will provide an HSA employer contribution for employees who are eligible and are enrolled in the BCBSTX CDHP based on your level of income; please see the chart below for 2017 amounts. Employees who earn over \$100,000 (inclusive of commission) will not receive HSA funds from the company.

HSA funds from the company will be deposited quarterly into your Fidelity HSA on the first pay date at the beginning of each quarter.

Employer HSA Contribution			
	<\$50,000	\$50,000 to < \$75,000	\$75,000 to < \$100,000
Employee	\$650	\$575	\$500
Family	\$1,300	\$1,150	\$1,000





## Kevin Asks: How is My HSA Used for a Doctor's Visit?

- Kevin gives his medical ID card to the office personnel. The card contains information about his health plan.
- The doctor prescribes medication. The doctor consults with Kevin on his medical coverage and prescribes a generic medication.
- Kevin takes the prescription to his pharmacy. He pays the network-negotiated rate for his prescription using his HSA debit card.
- After his visit, the doctor's office submits the claim to Kevin's plan to find out the amount he will need to pay. Kevin's plan will pay the doctor according to negotiated rates.
- Kevin's plan sends him a statement or explanation of benefits — what's called an EOB — indicating the amount due to his doctor and detailing his deductible and other information.
- Kevin can use funds in his HSA to pay the bill, or he can choose to pay another way and save his HSA funds for future qualified expenses.
- Kevin decides to use his HSA funds. He uses online bill payment to send payment to his doctor.

### What if my doctor's office isn't familiar with CDHPs and HSAs?

When you visit your doctor, be prepared to share information about your CDHP with the person who verifies your insurance information and with your doctor. Most importantly, let them know you don't have to pay a copay in regard to preventive care.

It's also important to talk to your doctor about your plan and let them know that you're thinking wisely about the care you receive and how much you spend on it.





## **How to Access HSA Funds**

When you first open your Health Savings Account, you will automatically receive an HSA debit card. You may pay for qualified medical expenses with your HSA debit card. Or you can pay with other funds and then reimburse yourself by writing yourself a check from your HSA or by withdrawing funds from an ATM using your HSA debit card. ATM withdrawals may be subject to fees.

## **Build Your Tax-free HSA**

In addition to A. H. Belo's contribution, you may, but are not required to, contribute to your HSA up to the IRS maximums. For convenience and tax savings, you may request that automatic, pre-tax payroll contributions be made to your HSA. The annual amount you choose to contribute is deducted in equal amounts from each paycheck throughout the year. You may change or cancel your contribution amount at any time during the year. After-tax contributions may also be made to your HSA at any time by check. If you choose to make after-tax contributions rather than tax-free contributions through payroll deductions, you can deduct those contributions on your tax return at the end of the year.

## **An HSA Grows Safely with Interest**

Your HSA may earn tax-free interest and your account balance is insured by the Federal Deposit Insurance Corporation (FDIC).

## **Health Savings Account or Flexible Spending Account?**

If you are participating in the CDHP and have an HSA, IRS rules prohibit you from also enrolling in a traditional health care Flexible Spending Account. However, you may enroll in the Limited Purpose Flexible Spending Account. This account is designed to complement a Health Savings Account and allows for reimbursement of eligible dental and vision expenses that you may have.





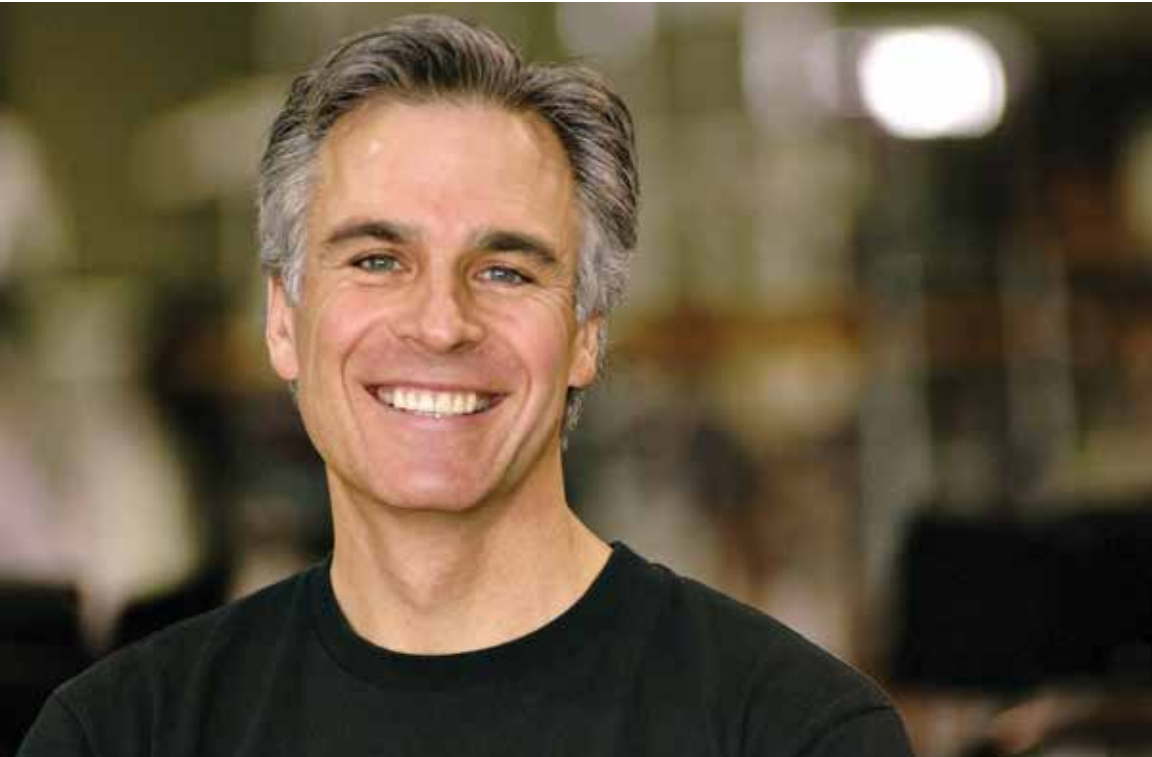
## Steve Asks: How Does Funding an HSA Save on Taxes?

### HSA ANSWERS

- Steve has family coverage with a Consumer-Driven Health Plan (CDHP).
- His total pre-tax contribution maximum for the year is \$6,750.
- Every two weeks, he puts \$259.61 into his HSA.
- Steve's federal tax bracket is 28%.\*
- Steve lives in Texas, where HSA contributions are not taxed.\*\*
- His total income tax savings on contributions this year are \$1,890.\*
- Visit [www.401k.com](http://www.401k.com) for your own HSA calculations.

\* Please see [www.irs.gov](http://www.irs.gov) to determine your tax bracket.

\*\* Hypothetical example excludes state income tax because Steve lives in Texas. While health savings accounts were created by the federal government, states can choose to follow the federal tax treatment guidelines or establish their own. Some states have chosen to tax HSA contributions. Talk to your financial advisor or consult your state department of revenue for more information.



## Invest an HSA in Mutual Funds

When your HSA balance reaches a minimum balance as stated by the bank, you may elect to invest any funds over the minimum into no-load, highly rated mutual funds. As with any mutual fund, HSA balances invested in mutual funds are not insured and the rates of return vary based on market factors. The earnings on the HSA investments are also tax free, as long as they are used to pay for qualified medical expenses.

## HSA Funds are Tax Free at Time of Withdrawal

Health Savings Account withdrawals are completely tax free when used to pay for qualified medical expenses. If HSA funds are used for purposes other than qualified medical expenses and you are younger than age 65, you must pay federal income tax on the amount withdrawn, plus a 20% penalty tax. If HSA funds are used for purposes other than qualified medical expenses and you are age 65 or older, are disabled, or if the funds come from an account holder who is deceased, you pay only the federal income tax, not the 20% penalty tax.

## An HSA Can Grow Year after Year

You are not required to use HSA funds within any particular time frame; there are no “use it or lose it” deadlines.

Any unused funds roll over, so you can use the account to pay for future qualified medical expenses. An HSA is an excellent vehicle for growing tax-free funds to help cover health expenses as you get older and are more likely to need medical services, or in retirement to supplement Medicare coverage. HSAs allow tax-free deposits, tax-free earnings and tax-free withdrawals.

## HSA Flexibility for Past or Future Expenses

You may use your HSA funds to pay for medical expenses that were incurred in previous years, as long as the HSA was established before the expense was incurred. There is no time limit on when you can use HSA funds to pay a qualified expense. You can contribute additional funds to your HSA (up to the allowed annual maximum) after the expense is incurred. By putting the money into your HSA and then withdrawing it to pay the medical bill, you will save money because the HSA funds are tax free. You can add to your HSA by requesting that your pre-tax payroll deductions be increased, or you can write a check to your account and deduct the taxable amount on your income tax return.





## **An HSA is Portable**

Since a Health Savings Account is a bank account you own, you can take it with you if you change jobs or retire. All funds, even the money contributed by A. H. Belo, are yours.

If you leave A. H. Belo or retire, you may either keep your HSA, transfer funds to an HSA with your new employer or transfer funds to another qualified account.

To continue contributing to an HSA, you must be enrolled in a qualified Consumer-Driven Health Plan (CDHP). You may continue to use any existing HSA funds until they are depleted even if you enroll in a non-qualified plan.

## **Keeping Records**

When you use funds from your HSA, you are not required to submit any documentation or paperwork. You should, however, keep all receipts. If your tax return is ever audited, you might be asked to provide proof of qualified HSA use.

If you have any contributions to your HSA (including those from A. H. Belo), you will receive tax form 5498SA in late May. If you have any distributions (withdrawals), you will receive a 1099SA form in late January. It is important to remember that you, not your employer, are responsible for maintaining all records associated with your HSA.





## Karen Asks: How Does My HSA Savings Grow Over Time?

- Karen contributes \$2,500 per year to her HSA.
- Her average qualified medical expenses per year are \$1,000, making her net contribution per year about \$1,500.
- Karen's federal tax bracket is 25%\*.
- Karen lives in Nevada, where there is no state income tax\*\*.
- Karen earns 1.00% APY on her savings\*\*\*.

### After Five Years

- Karen's net HSA contribution is \$7,500.
- Her tax savings (on her HSA contributions) are \$3,125.
- Her earnings on her HSA are \$228.02.
- Her tax savings (on HSA earnings) are \$57.01.

**Karen has \$7,728.02 saved for qualified medical expenses.**

### After 15 Years

- Karen's net HSA contribution is \$22,500.
- Her tax savings (on her HSA contributions) are \$9,375.
- Her earnings on her HSA are \$1,886.80.
- Her tax savings (on HSA earnings) are \$471.70.

**Karen has \$24,386.80 saved for qualified medical expenses, even those she has in retirement.**

**Investments are not FDIC-insured, are not guaranteed by Fidelity, and may lose value.**

\* Please see [www.irs.gov](http://www.irs.gov) to find out your tax bracket.

\*\* Talk to your financial advisor or consult your state department of revenue for more information about your state's taxation policies.

\*\*\* Example presumes an unchanging APY of 1.00% over 15 years. Interest rates vary over time and may be higher or lower than the example shows.



# Frequently Asked Questions

## **Q: What is a Consumer-Driven Health Plan (CDHP)?**

**A:** A qualified Consumer-Driven Health Plan (CDHP) is defined by the Internal Revenue Service (IRS) as a plan with a minimum annual deductible and a maximum out-of-pocket limit. These minimums and maximums are determined annually and are subject to change.

## **Q: What is a Deductible?**

**A:** A deductible is a set dollar amount, determined by your plan, that you must pay, out-of-pocket or from your HSA, before the medical plan begins reimbursing expenses at the stated coinsurance for medical expenses.

## **Q: What is a Health Savings Account?**

**A:** A Health Savings Account (HSA) is an account, established at a qualified financial institution, that can be funded by your pre-tax dollars or by your employer, or both. The money in the HSA can be used to help pay for qualified medical expenses. These may include deductibles, coinsurance and over-the-counter medications when you get a doctor's prescription. In some cases, the funds may be used to pay health insurance premiums.

## **Q: Who is Eligible to Open an HSA?\***

**A:** Anyone who is:

- Covered by a Consumer-Driven Health Plan (CDHP);
- Not covered under non-CDHP benefits; and
- Not eligible to be claimed on another person's tax return.

\* See Understanding Your HSA on page 1 for more details on HSA eligibility.

## **Q: When Do I Use My HSA?**

**A:** After visiting a physician, health care facility or pharmacy, your medical claim will be submitted for processing. Your HSA dollars can be used to pay your out-of-pocket expenses (deductibles and coinsurance) billed by those providers, or you can choose to save your HSA dollars for a future medical expense.



# Frequently Asked Questions

## **Q: How Much Can I Contribute to an HSA?**

- A:** As noted by federal law for the 2017 calendar year, the annual contribution limits are:
- \$3,400 for individual coverage; or
  - \$6,750 for family coverage.

Individuals who are age 55 or older may be eligible to make additional contributions to a maximum of \$1,000 for 2017.

## **Q: What is the Difference Between an HSA and a Flexible Savings Account (FSA)?**

- A:**
- You own the HSA. An HSA can roll over unused funds from year to year.
  - Your employer owns the FSA account. An FSA cannot roll over unused funds from year to year.

## **Q: Can I Contribute to Both an HSA and an FSA in the Same Year?**

- A:** If you are participating in the CDHP and have an HSA, IRS rules prohibit you from also enrolling in a traditional health care Flexible Spending Account. However, you may enroll in the Limited Purpose Flexible Spending Account. This account is designed to complement a Health Savings Account and allows for reimbursement of eligible dental and vision expenses that you may have.

## **Q: What Happens to My HSA if I Leave My Job?**

- A:** You own the account and the money is yours. This means that you can take your HSA with you when you leave and continue to use funds you have accumulated. Funds left in your account continue to grow tax free. If you are covered by a qualified CDHP, you can even continue to make tax-free contributions to your HSA.

## **Q: What Happens to My HSA if I Become Disabled?**

- A:** If you become disabled and enroll in Medicare, contributions to your HSA must stop on the first of the month in which you become enrolled in Medicare.

If you are older than age 65, you may use your HSA funds to pay Medicare Part A and/or Medicare Part B premiums. Payment of Medicare premiums is a qualified expense and a tax-free distribution. HSA distributions after you turn 65 that are used for non-qualified expenses will be subject to ordinary income tax but exempt from penalty.



**Q: What Happens to My HSA if I Get a Divorce?**

**A:** In cases of divorce, an HSA can be transferred between spouses without taxation. This is not considered a taxable distribution. All HSA rules regarding continued tax-free status, contributions and distributions apply.

**Q: What Happens to My HSA if I Pass Away?**

**A:** Your HSA is an inheritable account. The balance in your HSA will be released to your beneficiary.

**Spouse Designated Beneficiary**

If your spouse is your designated beneficiary, the account will be treated as your spouse's HSA after your death. The account will continue to be tax free for qualified medical distributions. If your spouse is covered by a qualified CDHP, contributions to the account may also be made tax free, up to the annual contribution limits.

**Other than Spouse Designated Beneficiary**

If you designate someone other than your spouse as the beneficiary of your HSA: the account stops being an HSA on the date of your death; the fair market value of the HSA becomes taxable to the beneficiary in the year in which you die (without penalties); and the amount taxable to a beneficiary (other than your estate) is reduced by any qualified medical expenses you incurred prior to your death that are paid from the HSA by the beneficiary within one year after the date of death.

**Your Estate is the Beneficiary**

If your estate is the beneficiary of your HSA, the value of your account is included on your final income tax return.

**Q: What if I Have Other Questions?**

**A:** Please feel free to contact A. H. Belo Benefits if you have any additional questions.





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