

Cigna Choice Fund® Health Savings Account (HSA)

Client Name State of Montana
March 4, 2013



What Is a Health Savings Account (HSA) Plan?



- A tax advantaged health plan that provides coverage for current medical/pharmacy expenses and allows the option to save for future health expenses.
- Combines a Qualified Medical Plan (medical/pharmacy coverage) with a Health Savings Account.
- Contributions to the Health Savings Account can be made by the Employer, the Employee, or both.
- Money deposited to the Health Savings Account is generally not taxable.
- Individuals/Account Holders have the option to invest the money into interest-bearing investment vehicles. Interest on these investments is also not taxable.

Cigna CHOICE FUND® HEALTH SAVINGS ACCOUNT (HSA)



- Cigna serves as the client’s and employee’s **point of contact for HSA**.
- One toll-free number to call for questions about the medical plan, claims, bank account requirements, and account balance and activity
- One website to manage coverage, claims, decision support tools and banking

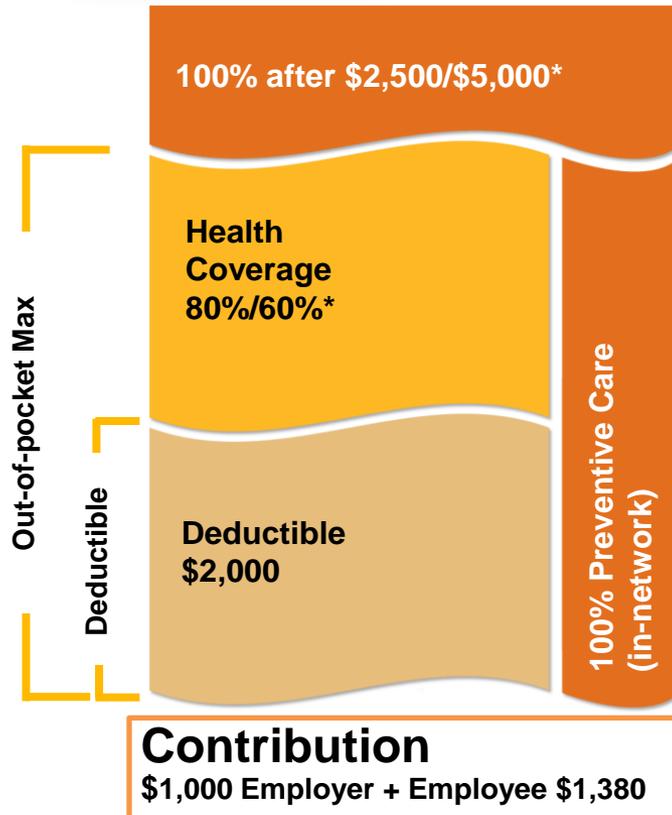


Meet Karen

Single, in her 50s

Heart disease; controlling health through medication

Looking to save money for future health expenses



HSA Deposits

\$1,380 by Karen
\$1,000 by Employer
\$2,380 Total HSA Contribution

Preventive Care \$398
 (covered 100% by Plan)
 No cost to Karen

\$ 600 UR Visit
 \$ 320 4 PCP Visits
 \$ 288 Generic Rx (12)
 \$ 240 Brand Rx (3)
\$ 1,448 medical expenses

How Expenses Are Paid

\$1,448 applied to deductible
\$ 398 preventive care (covered by Plan)
\$1,846 paid by Plan and Deductible

\$1,448 remaining expenses

\$1,448 What Karen Paid from HSA

**\$932
HSA Balance**

Case example for illustrative purposes only.





What a Year Looks Like for Karen in the OAP

Preventive Care Expenses

Annual exam \$ 398

Medical Expenses

UR Visit \$ 600
4 PCP Visits \$ 320
Generic Rx (12) \$ 288
Brand RX (3) \$ 240

Karen's Responsibility

Paid in full by plan

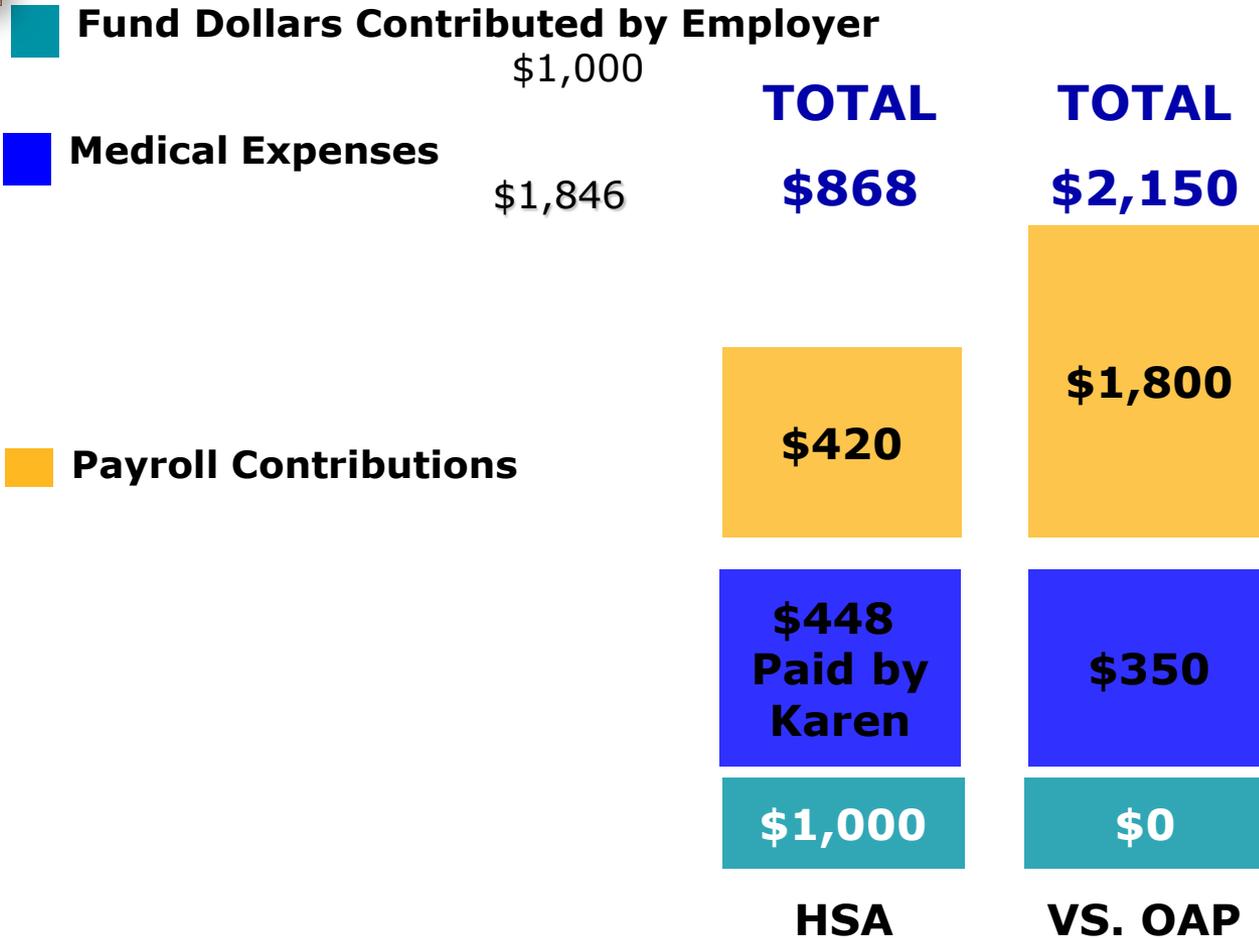
\$ 40 Copay
\$ 100 (\$25 Copay each)
\$ 120 (\$10 Copay each)
\$ 90 (\$30 Copay each)

Total Paid by Plan \$ 1,846
(Preventive Care, & Claims)

Total Paid by Karen \$ 350

How it Stacks Up

Plan Comparison – Karen



Benefits of an HSA

Triple Tax Advantages of an HSA

Contributions

- Payroll deduction contributions are pre-tax
- After-tax contributions can be deducted when you file your tax return

HSA Account Growth

- Interest earned on your cash account is not taxable
- Investment earnings on mutual funds are not taxable

Withdrawals

- Withdrawals to pay qualified medical expenses are tax-free
- Withdrawals for ineligible expenses are taxed and you pay a 20% penalty
- At age 65, withdraw funds for any reason with no penalty (taxes do apply)

Saving for the Future

**100% Rollover of
HSA dollars –
Year over Year**

**Use as Income during
Retirement**

Choose how to use your HSA

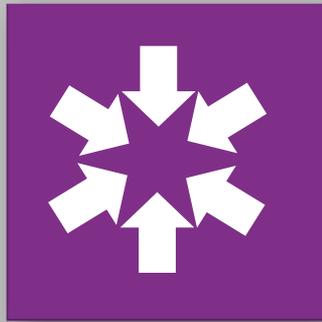


CIGNA CHOICE FUND®

7th Annual Experience Study
2010 - 2011



When compared to customers in traditional plans,
Cigna Choice Fund customers:



are **more engaged**
in health and
health spending



spend less
on overall
medical
services



receive
equal/better
quality care



are **more satisfied**
with health care
experience

Cigna Choice Fund customers



more engaged
In health and health spending

versus customers in traditional plans

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Large government client



more engaged

RESULTS:

\$6.7M saved

55% enrolled in CDHP

75% participated in disease/condition management

\$3.90/\$1 return on investment

4.5% annual medical cost trend over past 3 years

More shift to lower risk status 2009-2011

CHALLENGE:

- Actively engage employees in their health and health spending
- Help those with disease better manage their conditions
- Help healthy/at-risk stay well and prevent future disease

SOLUTION:

Employ a multiyear, multipronged strategy to put its population on the pathway to better health and achieve their cost saving objectives.

Choice Fund
CDHP Strategy

Wellness programs
Onsite health events

Enhanced incentives

Comprehensive communications plan



more engaged

In health and health spending

- Lower health risk profiles of full-replacement CDHP customers
- 72% register to use our award-winning* online tools
- 75% more likely to log into myCigna.com and 59% more likely to access online decision support tools
- More likely to complete health assessment
- More actively participate in health improvement programs

Cigna Choice Fund customers



spend less

on overall medical services

versus customers in traditional plans

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Cumulative Savings per Employee

Over five years, Choice Fund plans could save up to \$7,800 more per employee when compared to a traditional plan.



Cigna Choice Fund vs. Traditional Plans

Analysis assumes Annual Premium of \$10k per Employee per Year prior to enrolling in the CDHP option, 13% CDHP savings in Year 1 and a 9% annual trend.

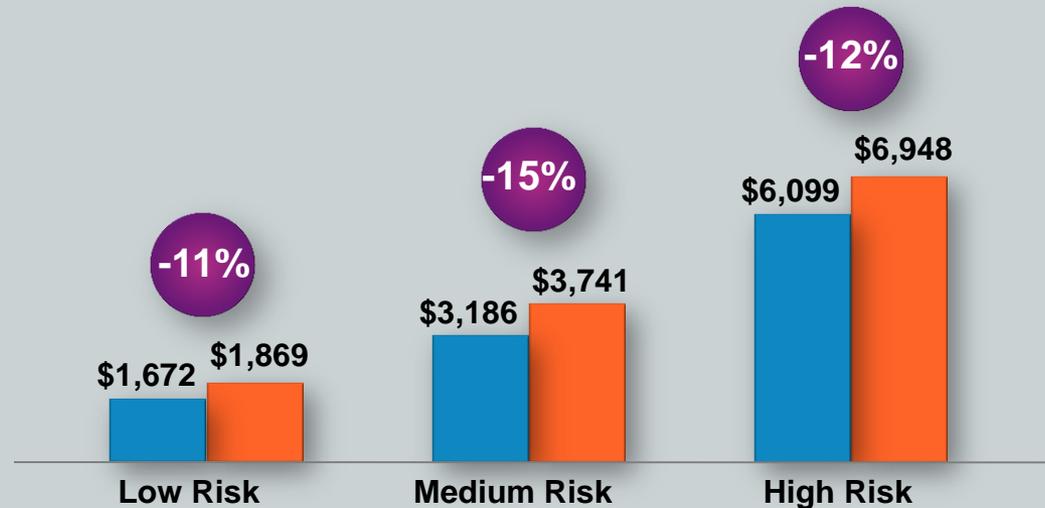


FIRST YEAR CHOICE FUND CUSTOMERS SHOWED SAVINGS

ACROSS ALL HEALTH STATUS CATEGORIES



Medical Cost Trend by Health Status Groups



Cigna Choice Fund vs. Traditional Plans, 2011

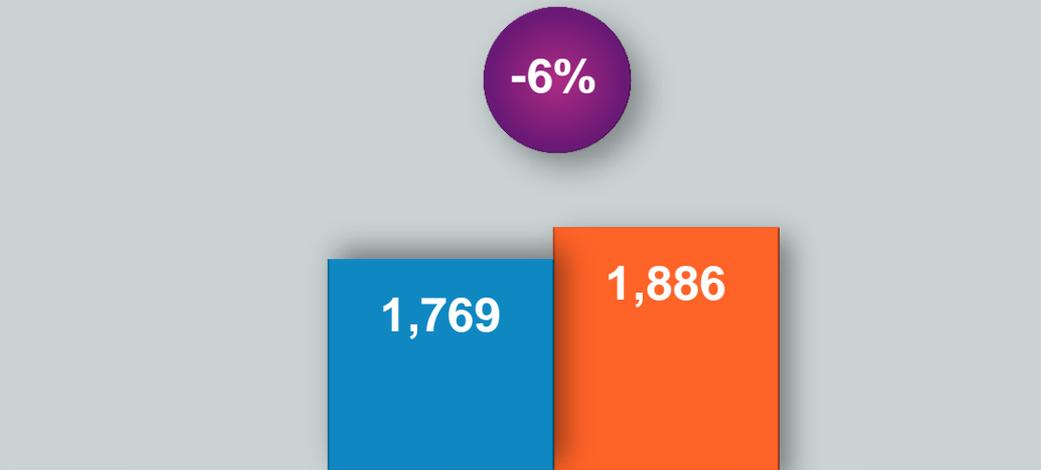
■ Cigna Choice Fund ■ Traditional Plan



CHOICE FUND CUSTOMERS HAD A 6% DECREASE IN
EMERGENCY ROOM VISITS



ER Uses per 1,000 Customers



Cigna Choice Fund vs. Traditional Plans, 2011

■ Cigna Choice Fund

■ Traditional Plan

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spend less

on overall medical services

- 13% lower medical trend in first year
- Sustainable savings year over year
- Savings across all health status categories, even amongst high risk
- Lower trend across service categories (inpatient, outpatient, professional)
- Fewer unnecessary emergency room visits
- 8% lower pharmacy trend driven by a lower unit cost trend

When compared to customers in traditional plans,
Cigna Choice Fund customers:



are **more engaged**
in health and
health spending



spend less
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receive
equal/better
quality care



are **more satisfied**
with health care
experience

Qualifying for a HSA

Who Is Eligible to Participate in a HSA Plan?

- Because HSA Plans have special tax advantages, the IRS defines specific rules on participation.
- To be eligible to contribute toward a Health Savings Account, the IRS requires that individuals:
 - Must be enrolled in a qualified HSA medical plan (CIGNA Choice Fund is a qualified medical plan)
 - Cannot have any other health coverage (Note this applies to employee only)
 - Not covered by spouse's medical or pharmacy plan
 - Not covered through Medicare Part A or Part B
 - Not covered through a general-purpose Flexible Spending Account (FSA) plan (either employer's or spouse's)
 - Cannot be claimed as a dependent on another person's tax return

NOTE: Domestic partners and Dependents covered up to age 26 are not eligible to use the HSA account

Qualifying for an HSA

- Allowable “other health coverage”
 - Liability insurance (including worker’s compensation)
 - Insurance targeted for a specific disease or illness (ie. Cancer insurance)
 - A fixed amount per day (or other period) of hospitalization
 - Disability (short and long term)
 - Accident insurance
 - Dental
 - Vision
 - Long-term care
- 3-month rule for benefits received from
 - Veterans enrolled in VA Health Care System
 - Indian Health Service facilities
- Clear exclusions
 - Medicare
 - TRICARE

What Is a Qualified Medical Plan?

The IRS defines the criteria for an HSA Qualified Medical Plan and updates the criteria each year. Qualified Medical Plans are often referred to as “high deductible health plans.”

Deductible Minimums

- For 2013, the deductible Minimum is \$1,250 for individual/\$2,500 for family
- All expenses (medical/pharmacy) are subject to a common deductible before coinsurance applies (: If the individual deductible is less than \$2,500, the family deductible must be collective.)
- Preventive Care can be covered at 100% prior to deductible being met

Out of Pocket Maximums

- For 2013 the sum of the plan’s annual deductible and other annual out of pocket requirements (other than premiums) cannot exceed \$6,250 for self-only coverage and \$12,500 for family coverage.

100% Coverage Once out of Pocket met

- Once the Out-of-Pocket Maximum is met, the plan pays 100% for covered medical/pharmacy expenses

What Is the Maximum Someone Can Contribute Annually to Their HSA?

- Because HSAs offer special tax advantages, the IRS puts limits on the maximum amount that can be contributed to the account:
- Under age 55 and not enrolled in Medicare: (based on a 12-month period)
 - up to \$3,250 individual coverage
 - up to \$6,450 family coverage
- Age 55 or older:
 - Maximum contribution increases by \$1,000 (considered a “catch-up” contribution)
- To make the maximum contribution in a calendar year, individuals must:
 - Meet all requirements to be eligible for HSA contributions on January 1
 - Remain qualified through December 1
 - If these criteria are not met, maximum contribution is prorated = 1/12 maximum contribution for each month individual is qualified

How Are Contributions Made to the CIGNA Choice Fund HSA?

Employer

Payroll withholding of
Employee HSA contributions

Employer Contributions to Employee
HSA accounts

**Monies sent to JPMorgan Chase
from the Employer**

Account Holder

Unscheduled Deposits to the HSA
Account

Transfers from other HSA Accounts

**Monies sent to JPMorgan Chase
via Mail with Transaction
Specific Deposit form**

**EFT transfer from individual's
personal account**

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What Can Money in the HSA be Used For?

- The IRS determines what is a “qualified health expense”
- Qualified health expenses
 - Expenses eligible under the medical plan
 - Expenses incurred after the HSA account is established
 - Other expenses typically covered through an FSA: Medical, pharmacy including some over-the-counter medications*, vision and dental
 - A more comprehensive list is available on myCIGNA.com
- Use the HSA to pay for qualified health expenses for:
 - Employee
 - A spouse as recognized by the IRS
 - Dependents as recognized by the IRS
 - The HSA cannot be used for a domestic partner
- Domestic Partners and Dependents who are not recognized by the IRS
 - Can be covered through the HSA-qualified medical plan
 - However, since HSA cannot be used for these dependents, Automatic Claim Forwarding should NOT be elected if they are covered through the HSA-qualified medical plan

How Does Money in the HSA Get Used?

Employee decides how and when to use the money.

Debit Card

- Use the MasterCard-branded debit card to pay for out-of-pocket expenses
- The card can also be used to get cash at ATMs to reimburse themselves for qualified expenses you paid with personal funds*

Online Bill Pay

- Pay medical expenses directly from the HSA
- Monitor, manage and schedule payments online, anytime
- Payments can be scheduled on a one-time or recurring basis

Checkbook

- Customers can purchase and write checks to pay for out-of-pocket expenses (deductibles and coinsurance).

Automatic Claim Forwarding (ACF)

- Cigna will automatically pay eligible medical expenses from the customer's HSA.
- This option is not available for pharmacy claims.
- This option can be selected at enrollment and anytime throughout the year

Regardless of how the HSA is accessed, all balance and transaction activity is available online at myCigna.com

* To aid in fraud prevention, daily debit card transaction limits apply. Current limits: \$3,000 sign for purchase; \$1,000 PIN based purchase; \$5,000 cash advance; ATM \$1,000. Subject to change.

NOTE: It is the responsibility of the employee to monitor and maintain the account. Federal privacy laws prevent account information from being shared with anyone but the employee/account-holder.



Customer Service to Help Manage the HSA

HSA Customer Service:

• By Phone

- One toll-free number – on the back of the ID Card and Debit Card
- Available 24 hours a day, 7 days a week
- Specially-trained Customer Service Representatives answer questions about:
 - Medical and pharmacy benefits and claims
 - HSA IRS requirements
 - HSA transaction activity and balance
 - Warm transfer to JPMorgan Chase for specialized activity (investments, lost debit card, debit card transaction questions)
 - Directs callers to additional tools available on myCIGNA.com

• Online

- Single sign-on to Medical and HSA activity through myCIGNA.com
 - Medical/pharmacy information
 - Find a physician or facility participating in the CIGNA network
 - Access cost and quality tools
 - HSA bank account information
 - Manage investment accounts via link to JPMorgan Chase



What HSA Saving and Investment Options Are Available?

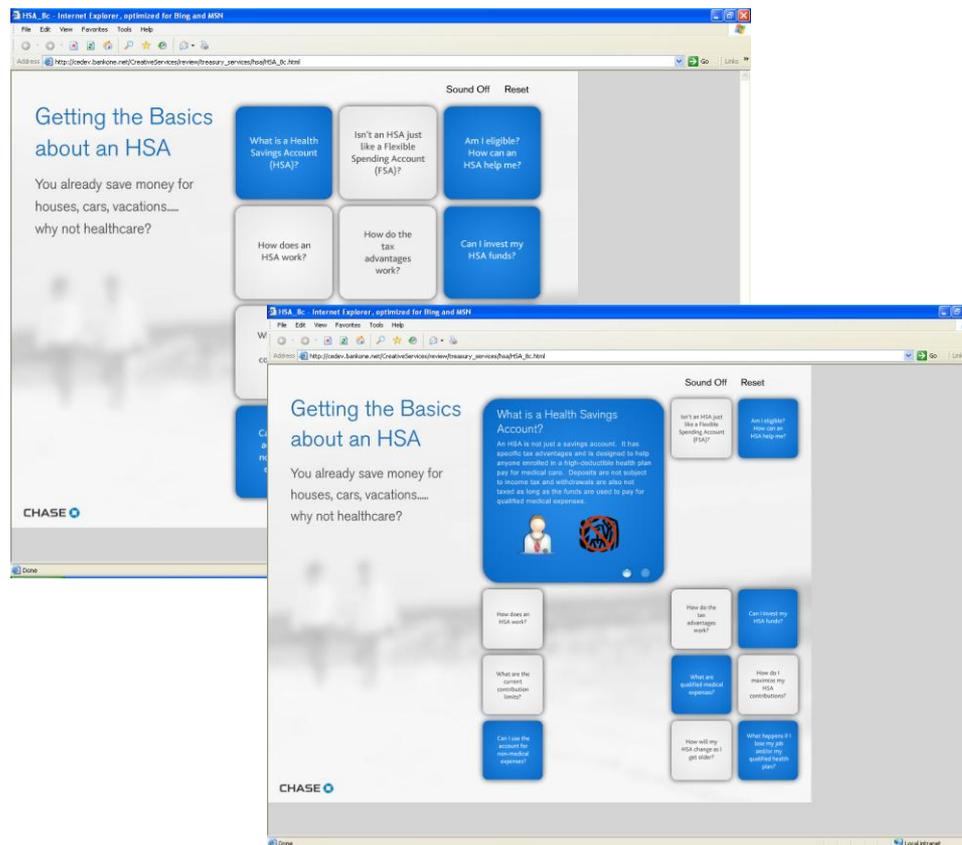
- \$2,000 minimum in HSA to invest
- Once the investment account is open, no minimum balance applies
- Eight mutual funds from which to choose
- Investments can be allocated into one fund or multiple funds
- No minimum deposit for any fund
- Tax-free growth of interest or investment earnings
- Monthly fees apply
- Online trading – no fees apply
- Track your balance online or with convenient monthly statements

Tax Responsibilities and Reporting

- JPMorgan reporting for year-end taxes will be sent to the Individual (Account Holder)
 - ✓ Form 1099-SA – Reporting all distributions from the HSA
 - ✓ Form 5498-SA – Reporting of contributions and transfers into the HSA
- Individual (Account Holder) Responsibility
 - ✓ Ensure total contributions do not exceed allowable maximums
 - ✓ Keep accurate records of contributions and withdrawals
 - ✓ Maintain receipts for all use of HSA dollars: purchases and bill payments
 - ✓ File form 8889 as part of income tax submission to the IRS

HSA videos available online

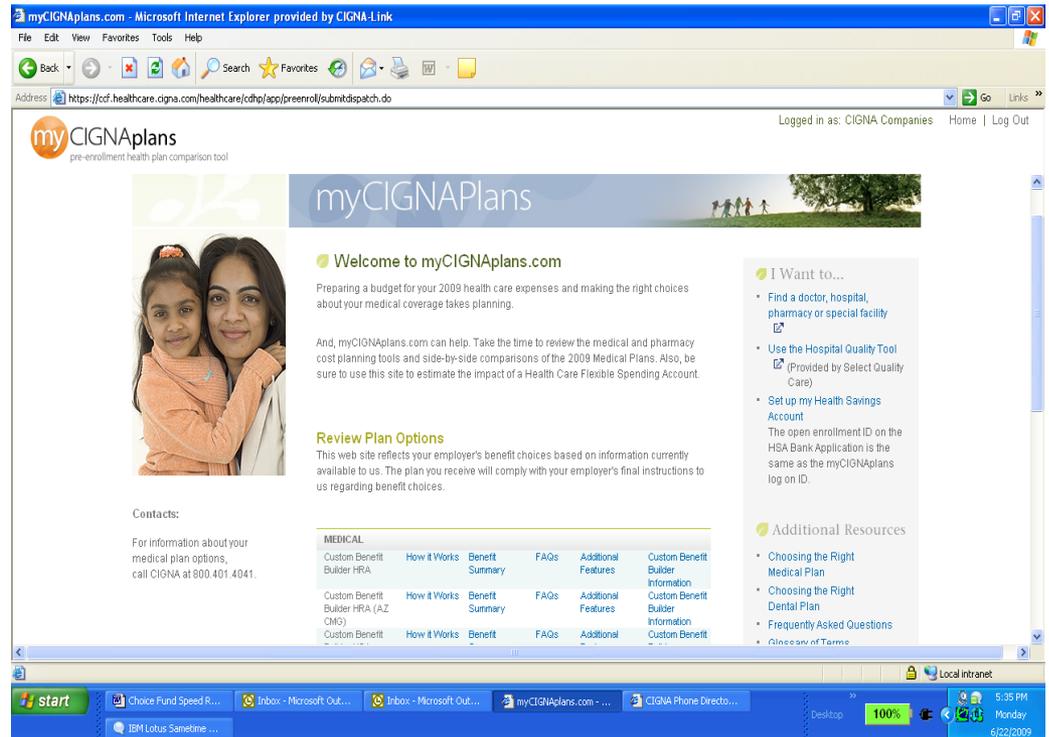
- HSA vignettes (3 min videos) addressing common questions/concerns
 - Contribution strategies
 - Tax time
 - Investments
- HSA “user guide”
- Electronic interactive FAQ
 - With voiceover
 - Available via URL



Innovative and Helpful Enrollment Support

myCIGNAplans.com

- CIGNA Customer Services at **1.800.401.4041**
- www.myCIGNAplans.com for instructions and helpful tips to build and customize benefits
 - User ID: _____
 - Password: _____
- Open Enrollment
 - **(List Dates)**



myCignaplan.com user guide available on Fuse 7722 – feel free to insert slides or use as standalone presentation



Getting Started – Select a CIGNA Choice Fund Plan

Plan Comparison Tool

- View CIGNA Plan options
 - Benefit Details
 - Descriptions
- Compare cost of plans
 - CIGNA network discounts
 - Use demographic to determine utilization or modify to individual circumstances
 - Includes payroll cost of plans
 - Includes ability to model HSA contributions
- Medical and pharmacy cost tools

The screenshot displays the myCIGNAplans website interface. At the top left is the logo for myCIGNAplans, with the tagline "pre-enrollment health plan comparison tool". The top right corner shows "Logged in".

The main content area is divided into several sections:

- Enrollment Information:** Includes links for "How Do I Enroll? (PDF, 11k)", "Help opening PDF", and "Health Savings Account Setup: Online HSA Bank Application".
- Welcome to the myCIGNAplans Home page:** A message stating that CIGNA offers several medical plan options, including a consumer directed health plan (CDHP) with a health savings account (HSA). It encourages users to review the information on the site.
- Review Plan Options:** A section highlighted with an orange circle, containing a message: "This web site reflects your employer's benefit choices based on information currently available to us. The plan you receive will comply with your employer's final instructions to us regarding benefit choices."
- MEDICAL:** A table listing plan options with links for "How it Works", "Benefit Summary", "FAQs", and "Additional Features".

MEDICAL				
CIGNA CDHP + HSA Plan:	How it Works	Benefit Summary	FAQs	Additional Features
HMO Network Plan:		Benefit Summary	FAQs	Additional Features
- Plan Costs:** A section highlighted with an orange circle, providing information and tools to help plan health care costs. It includes links for "Compare Medical Plan Costs", "Calculate my potential Health Savings Account (HSA) tax savings", and "Ways you can control your healthcare costs".
- Contacts:** Provides information about medical plan options and a contact number: 800.401.4041.

At the bottom left, there is a "YBR Site Address" field.

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