State HDHP with HSA Fact Sheet

The State of Michigan offers the State High Deductible Health Plan (HDHP) with Health Savings Account (HSA) with an effective date of January 1, 2025. Some key similarities and differences are listed below.

The State HDHP

- Some plan features are similar to other state plan offerings. The State HDHP is administered by Blue Cross Blue Shield of Michigan (BCBSM) and uses the same BCBSM network as the State Health Plan PPO (SHP PPO), so members can go to any participating provider or facility and stay in network, and there are very limited preauthorization requirements. Most of the same services are covered as under the SHP PPO, but coinsurance requirements differ. HMOs have a more restrictive provider network and cover very few out-of-network services.
- Preventive services as defined under the Patient Protection and Affordable Care Act are covered 100%, with no copay or coinsurance, under the SHP PPO, HMOs, and the State HDHP.
- The State HDHP has no office visit copays, but all non-preventive services are subject to the deductible and 20% coinsurance.
- Prescription drug benefits for the State HDHP are administered by OptumRx and the drug list is the same as the SHP PPO's.
- Prescription drug coverage has the same copay structure as other state plans but is subject to the State HDHP's deductible before the plan pays any cost share. Copays apply toward the member cost share.
- Preventive medicine is not subject to the State HDHP's deductible.
- The Individual deductible only applies to employee-only coverage. The Family deductible applies to employee plus other dependents coverage. Any one covered family member or any combination of covered family members may fulfill the entire family deductible. The applicable deductible must be fulfilled before services are paid by the plan.

The HSA

- HSAs are tax-favored savings accounts:
  - money can be deposited pre-tax as long as you are enrolled in the State HDHP and otherwise eligible.
  - funds can be spent on eligible expenses pre-tax; and
  - account earnings and interest are tax-free.
- An HSA will automatically be opened for employees enrolled in the State HDHP. Enrolled employees will be mailed a welcome packet by HealthEquity before January 1, 2025 with details on how to access their HSA.
- The state will contribute $800 into the HSA for an individual employee or $1,600 for employees who enroll with one or more dependents effective January 1, 2025. The amount of the state's contribution may change in future plan years.
- The employer contribution, also referred to as "seed money," will be deposited with the first paycheck of the 2025 calendar year, January 2, 2025.
  - As long as you are enrolled in the State HDHP effective January 1st, expenses incurred on January 1 can be paid from the HSA funds

deposited on January 2. Ask your provider to bill you, or you can use your HSA for reimbursement if you pay out of pocket.

- Employees who enroll in the State HDHP midyear will receive prorated employer seed money based on the number of pay dates remaining between the effective date of the HDHP and the end of the plan year. The seed will be available for use on the first day of the first calendar month following the HDHP enrollment effective date.
- Money in the HSA belongs to you, even if you enroll in a different health plan in the future or leave state employment.
- There is no monthly fee for having the account if you remain enrolled in the State HDHP and employed by the state. If you switch health plans or leave state employment, you will be charged $3.95 per month unless you re-enroll in the State HDHP or have a balance of at least $2,500 in your HSA account.
- You can make pre-tax contributions by payroll deduction through the HealthEquity portal while you are enrolled in the State HDHP. Post-tax contributions may also be made. Your HSA Card and instructions for contributing to your HSA and using HSA funds will be mailed to you in a welcome packet after you enroll.
- You are responsible for making sure expenses are eligible for payment from your HSA.
- Medical expenses must be for you, your spouse, any dependents you claim on your tax return, or any person you could have claimed as a dependent on your tax return. **HSA money cannot be used for adult children you do not claim as dependents on your taxes.** The dependent must be under age 19 (or under age 24 if a full-time student) and must rely on you for over half of his or her support for the plan year. Contact your tax advisor for more information.
    - Your spouse or dependents do not need to be enrolled in the State HDHP to have expenses covered by an HSA.

Note: For 2025, the annual contribution limits are $4,300 if covered by an individual HDHP and $8,550 if covered by a family HDHP. The state's HSA seed contribution counts against these limits. If you are age 55 or older as of December 31, 2025, you may contribute an extra $1,000 as a catch-up deduction under individual or family policy coverage for 2025. These limits are set by the IRS and may change year to year. Tax penalties may be imposed on ineligible persons enrolling in an HSA. If you have other non-HDHP health coverage, including Medicare, or can be claimed as a dependent on someone else's tax return, to avoid these tax penalties you should not enroll in the HDHP. It is your responsibility to ensure you are eligible to receive HSA contributions under the IRS rules.

Related Resources:

- State HDHP with HSA Benefit Booklet
- State HDHP with HSA Benefits-at-a-Glance
- Health Savings Account (HSA) Q&As
- CY2025 BOE Booklet
- www.mi.gov/BOE

*DROP employees and Other Eligible Adult Individuals (OEAIs) and their dependents are not eligible for this benefit.