

## CONSUMER DIRECTED **HealthSelect<sup>SM</sup>**

A high-deductible health plan with health savings account for eligible State of Texas employees and retirees not enrolled in Medicare

Consumer Directed HealthSelect<sup>SM</sup> combines a high-deductible health plan with a tax-free health savings account (HSA).

### A very different plan

Consumer Directed HealthSelect has a much higher deductible than HealthSelect of Texas®. But every eligible participant can contribute to a tax-free HSA, and the State of Texas also will contribute to every eligible participant's HSA. The plan also has lower monthly premiums, for those who pay premiums.

Because of the possibility of much higher out-of-pocket costs, members should think carefully before signing up for Consumer Directed HealthSelect. They should understand all the costs and benefits, to know if the plan is right for them and their families. If a member cannot afford thousands of dollars in upfront out-of-pocket costs before the plan starts paying for any covered health services and prescriptions (except preventive care), he or she probably should not enroll in Consumer Directed HealthSelect.

The high-deductible health plan is administered by the same administrator as HealthSelect of Texas, currently Blue Cross and Blue Shield of Texas (BCBSTX). The HSAs are administered by Optum Bank.

### Higher annual deductible

- The deductible is the amount a participant must pay for covered health services and/or prescriptions before the plan begins to pay for anything except preventive services.
- The Consumer Directed HealthSelect deductibles for Calendar Years 2023 and 2024 are \$2,100 for an individual or \$4,200 for a family (the member plus at least one family member). **NOTE:** If you are enrolled in family coverage, the entire family deductible amount must be met before benefits are paid for any individual participant (except in-network preventive benefits). Each participant's eligible costs count toward the family deductible.
- Until the deductible is met, the participant is responsible for the full costs of non-preventive services and prescriptions, which could be much higher than the copays in HealthSelect of Texas. Some prescriptions could cost hundreds or even thousands of dollars.
- Like with HealthSelect of Texas, in-network preventive services such as annual check-ups, screenings and vaccines are covered at 100% – even if the deductible hasn't been met.
- Once the deductible is met, the plan pays 80% for eligible in-network costs, and 60% for eligible out-of-network costs.
- The annual deductible is based on a calendar year (January through December). The deductible for members who enroll during Summer Enrollment will start on Sept. 1 immediately following Summer Enrollment and will reset on Jan. 1. After that, if you stay in Consumer Directed HealthSelect, the deductible will reset on Jan. 1 each year.
  - For members who switch from HealthSelect of Texas to Consumer Directed HealthSelect, any eligible out-of-pocket costs members have paid since Jan. 1 of that year will be applied to that year's out-of-pocket maximum, which also will reset on Jan. 1 of the next year.

### Lower monthly premiums

- Like with HealthSelect of Texas, the State of Texas pays 100% of the Consumer Directed HealthSelect premium for eligible full-time employees and 50% for eligible family members. The state pays at least 50% of the premium for eligible retirees and at least 25% for their eligible family members, depending on how long they worked for the state.
- The premiums for all health plans change from year to year, but Consumer Directed HealthSelect premiums are lower than those for HealthSelect of Texas.

## Network benefits

- Consumer Directed HealthSelect has the same large provider and pharmacy network as HealthSelect of Texas, including more than 100,000 providers and pharmacies across Texas, as well as the same prescription mail service.
- Participants can see out-of-network providers if they want, but those providers usually will cost more than in-network providers. And participants will have to meet an even higher annual deductible for out-of-network services – \$4,200 for an individual and \$8,400 for a family – and pay any costs over the allowable amount (known as balance billing).
- Consumer Directed HealthSelect participants do not have to choose a primary care provider (PCP), and they don't have to get referrals to see specialists.

## Annual out-of-pocket maximum

- Like with HealthSelect of Texas, there is a limit to how much an individual or family will have to pay out of pocket for covered in-network expenses in Consumer Directed HealthSelect each year. If a participant or family meets the out-of-pocket maximum, the plan pays 100% for the rest of the calendar year. The out-of-pocket maximum includes eligible out-of-pocket expenses paid both before and after the deductible is met.
- The out-of-pocket maximum for all GBP health plans in Calendar Year 2023 is \$7,050 for individual coverage or \$14,100 for family coverage. The out-of-pocket maximum for Calendar Year 2024 is \$7,500 for individual or \$15,000 for family. Only in-network care, services and prescriptions apply to the out-of-pocket maximum. There is no out-of-pocket maximum for out-of-network expenses.
- The out-of-pocket maximum is based on the calendar year (Jan. 1 - Dec. 31). **NOTE:** If you are enrolled in family coverage, the entire family out-of-pocket maximum amount must be met before the plan begins paying 100%. Each participant's eligible out-of-pocket costs count toward the family out-of-pocket maximum.

## HSAs: savings for health expenses, with tax benefits

- Every eligible employee and retiree enrolled in Consumer Directed HealthSelect can contribute to an HSA with Optum Bank, to help pay for any qualified out-of-pocket health costs they might have.
  - A list of qualified health expenses, defined by the U.S. Internal Revenue Service (IRS), is available on the [Optum Bank website](#).
- HSAs have a triple-tax benefit:
  - Contributions are tax-free, up to a certain amount set by the IRS each year.
  - Withdrawals are not taxed, as long as the money is used for qualified health expenses.
  - Interest and investment earnings are not taxed.
- Anyone thinking about joining Consumer Directed HealthSelect should review IRS guidelines to make sure they are eligible to participate in an HSA.

## State and member contributions to HSAs

- In Plan Years 2023 and 2024 (Sept. 1 - Aug. 31), the State of Texas will contribute to eligible employees' and retirees' Optum Bank HSAs:
  - \$45 per month (\$540 per year) for an eligible individual (full-time employee or retiree), or
  - \$90 per month (\$1,080 per year) for an eligible family account (full-time employee or retiree plus at least one family member).
- A member will get a state contribution only if he or she opens an HSA with Optum Bank.
- The maximum contribution amounts for Calendar Year 2023 are \$3,850 for an individual account and \$7,750 for a family account. The maximum contribution amounts for Calendar Year 2024 are \$4,150 for individual and \$8,300 for family. (The maximums are set by the IRS and could change from year to year.) The maximums include contributions from all sources, including the State of Texas and any contributions the member makes. It's up to the member to ensure that total contributions stay within the annual limit. If an HSA gets more contributions than the annual maximum, the member could have to pay a penalty or taxes on those contributions.

- Individual account holders age 55 years and older can contribute an additional \$1,000 per year.
- The State will contribute to employees' and retirees' HSAs on a pre-tax basis.
- Members also can contribute to their own accounts. Employees can have their contributions taken from their paychecks on a pre-tax basis. Retirees cannot have their contributions taken from their paychecks, but can make direct contributions to their HSAs and deduct those contributions when they file their tax returns.
- Only people participating in a high-deductible health plan, like Consumer Directed HealthSelect, can make or accept contributions to their HSAs. However, people can use the funds in their HSAs even if they're no longer enrolled in a high-deductible health plan.

## Benefits beyond tax savings

- Balances carry over – HSA balances will carry over from one year to the next, so a participant won't lose money in his or her account at the end of the year.
- Funds are portable – If a participant changes health plans or leaves State of Texas employment, he or she can keep all the funds in the HSA, even those contributed by the state.
- Investing is an option for some, and earnings are tax-free – When savings in an HSA reach \$2,000, the participant can decide how to invest the funds. Investment earnings and interest aren't taxed. (It's important to note that participants who invest their funds could lose money on their investments.)
- Approval for withdrawals are not required – Neither Optum Bank nor ERS will approve or deny reimbursements or withdrawals from HSAs. It's up to the participant to make sure they spend the funds on qualified health-related expenses. There could be federal tax penalties for misusing HSA funds.
  - Once an HSA participant enrolls in Medicare, he or she can use funds in an existing HSA for non-health expenses. Only Medicare participants can use HSA funds for non-health expenses; however, Medicare participants cannot make or accept contributions to their HSAs.

## Other HSA rules and limitations

- An HSA participant has access only to the amount of money that has accumulated in his or her account. A participant does not have access to money that has been pledged to be deposited in the future.

- This is different from the health care flexible spending accounts (like TexFlex), in which participants can use money that has been pledged to their accounts, but not yet deposited.
- HSA funds cannot be used to reimburse health expenses incurred before the account was opened. So, it's important to open an HSA as soon as possible after enrolling in Consumer Directed HealthSelect.
- Someone who participates in an HSA cannot participate in a health care flexible spending account. But an HSA participant can enroll in a limited-purpose flexible spending account. Money in a limited-purpose flexible spending account can be used only on qualified vision and dental expenses, while money in an HSA can be used on any qualified health expenses. If a member enrolls in Consumer Directed HealthSelect during Summer Enrollment and has at least \$25 up to the IRS-set maximum carryover amount left in a TexFlex health care account at the beginning of the new plan year (after Aug. 31), ERS will roll that money into a TexFlex limited-purpose flexible spending account.
  - Only members enrolled in Consumer Directed HealthSelect can participate in a TexFlex limited-purpose flexible spending account.

## Eligibility, enrollment and more information

- Employees and retirees not eligible for Medicare can enroll in Consumer Directed HealthSelect during Summer Enrollment, with coverage starting September 1. Employees and retirees also can enroll during the plan year, with a qualifying life event (QLE).
  - Anyone thinking about joining Consumer Directed HealthSelect should review IRS guidelines or talk to a tax advisor to make sure they are eligible to participate in an HSA.
- Employees and retirees enrolled in Medicare cannot enroll in Consumer Directed HealthSelect.
- Once enrolled in the plan, each member is responsible for opening an HSA with Optum Bank. Benefits coordinators, ERS, the health plan administrator or Optum Bank cannot open HSAs for members. Enrollment forms are available from Optum Bank – either on [its website](#) or by mail.
  - The State of Texas will make contributions only to Optum Bank HSAs.

More information is available on the ERS website:  
[www.ers.texas.gov](http://www.ers.texas.gov).



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