Guide to high-deductible health plans and health savings accounts

How high-deductible health plans (HDHPs) and health savings accounts (HSAs) can work for you
As an Arch Coal employee, you have a choice of two plans to cover you and your family. For 2017, one choice will include a high-deductible health plan (HDHP). In this brochure, we’ll explain the advantages of the HDHP with health savings account (HSA) compared to the traditional PPO plan.

**How the HDHP works**
- The difference between an HDHP and a PPO
- Access to the care you need
- How the deductibles and out-of-pocket (OOP) maximums work

**The health savings account (HSA)**
- HSAs: The advantages really add up
- Step 1: Are you eligible for an HSA?
- Step 2: How to open an HSA
- Step 3: How the HDHP works

**Examples of how the HDHP with HSA and PPO plans work**

**How the limited flexible spending account works**
How the HDHP works

With an HDHP, you’re in control of how you spend or save your health care dollars.

Here’s the difference between an HDHP and a PPO option:

- The HDHP has lower premiums but a higher deductible.
- The PPO has higher premiums but a lower deductible.

Another difference between an HDHP and a PPO option is that the HDHP option provides a combined deductible for both medical and prescription drugs in one plan. This means when you go to the pharmacy to pick up a prescription, you’ll pay the full cost of the medication until the deductible has been met. This will exclude medications that fall under Express Scripts’ preventive medication list.

Access to the care you need

Both plans give you access to in-network and out-of-network medical services — without getting a referral. However, by visiting an in-network doctor, you can hold down costs for services such as:

- Preventive care, which is covered 100%
- Regular office visits
- Urgent and emergency care
- Hospital care
- Mental health care

To find a doctor or other provider in the network, visit anthem.com and select Find a Doctor.
How the deductibles and out-of-pocket maximums work

The family deductible and out-of-pocket (OOP) maximum are met differently for the HDHP and PPO plan options.

The PPO plan option has an embedded deductible

With the PPO, the family deductible and OOP maximum can be satisfied by any combination of family members, but an individual would never need to satisfy more than their own individual deductible and OOP maximum. This is an embedded deductible.

The HDHP plan option has a true (non-embedded) deductible

With the HDHP, if you elect two-person or family coverage, claims for the entire family will not pay at 80% coinsurance until the entire family deductible has been met; however, an individual would never need to satisfy more than their own individual OOP maximum.

<table>
<thead>
<tr>
<th>PPO option</th>
<th>HDHP option</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In-network</strong></td>
<td><strong>In-network</strong></td>
</tr>
<tr>
<td><strong>Deductible (Single/Family)</strong></td>
<td><strong>Deductible (Single/Family)</strong></td>
</tr>
<tr>
<td>Type of Deductible</td>
<td>Type of Deductible</td>
</tr>
<tr>
<td>Embedded</td>
<td>1 Embedded</td>
</tr>
<tr>
<td>Medical-only deductible</td>
<td>Medical-only deductible</td>
</tr>
<tr>
<td>$1,250/$2,500</td>
<td>$2,000/$4,000</td>
</tr>
<tr>
<td>Combined Medical/Rx deductible</td>
<td>Combined Medical/Rx deductible</td>
</tr>
<tr>
<td>True</td>
<td>True</td>
</tr>
<tr>
<td>OOP Maximums (Single/Family)</td>
<td>OOP Maximums (Single/Family)</td>
</tr>
<tr>
<td>(includes deductible and coinsurance)</td>
<td>(includes deductible and coinsurance)</td>
</tr>
<tr>
<td>Medical OOP Max</td>
<td>Medical OOP Max</td>
</tr>
<tr>
<td>$4,000/$8,000</td>
<td>$5,000/$10,000</td>
</tr>
<tr>
<td>Rx OOP Max</td>
<td>Rx OOP Max</td>
</tr>
<tr>
<td>$3,000/$6,000</td>
<td>$5,000/$10,000</td>
</tr>
</tbody>
</table>
The health savings account (HSA)

It’s like a 401(k) plan for your health care expenses

To help pay your deductible and other health care costs, you can elect and open an HSA. Think of the HSA as a 401(k) plan you use to pay for your health care. One advantage of an HSA is that you can put aside pretax dollars into the account. This means these dollars are excluded from your gross income — so you will pay less in taxes. You also can make contributions after taxes.

The IRS places a yearly limit on the total contribution (the employee and the employer amounts added together) that can be made to an HSA. For 2017, the combined IRS contribution limit is $3,400 for individual coverage and $6,750 for all other types of coverage.

Another great feature of an HSA, similar to a 401(k) plan, is that it’s yours to keep — even if you leave Arch Coal. You can use the money now or later, even when you retire, for health care expenses. The use-it-or-lose-it rule for other types of accounts doesn’t apply to HSAs.

While you don’t have to open an HSA if you choose an HDHP, there are some advantages of combining an HSA with an HDHP.

Your total annual HSA election for the year is not all available on January 1. Your annual election amount is divided between the number of pay periods in the year. Only the year-to-date amount deposited plus any balance carried over from the prior year is available for reimbursement.

Did you know?

Did you know a couple may need an average of $220,000 to pay for their health care expenses during retirement? By opening an HSA, you can save for your health care expenses now — and for your retirement.

Source: Fidelity Investments website, Retiree health costs hold steady (June 2014): fidelity.com
HSAs: The advantages really add up

The triple tax advantage

1. Contributions can be deducted from your pay before taxes are taken out. This means your gross income is lower — and you may pay less in taxes.
2. Earn money tax free with investments or interest payments.
3. Use the HSA to pay for qualified health care expenses tax free.

It’s yours to keep: you can take the HSA with you

An HSA is yours to keep, even if you leave Arch Coal. You also can use the money when you retire to pay for health care expenses. So, there’s no use-it-or-lose-it rule with HSAs.

Use an HSA to pay for all kinds of care

Your HSA can be used tax free to pay for out-of-pocket qualified medical expenses — even if they’re not covered by your HDHP. This includes expenses for you, your spouse and any dependents you claim on your tax return. There are hundreds of qualified medical expenses, including:

- Medical
- Prescription drugs
- Vision
- Dental

All of these expenses and more can be paid for with your HSA, free from federal income tax or state income tax (for most states). To see a detailed list of qualified medical expenses, see Publication 502: Medical and Dental Expenses at www.irs.gov.

Who’s covered by your HSA?
If you can claim someone on your tax return, you can use an HSA for that person.
Step 1: Find out if you’re eligible for the HDHP option

Here are the steps you should take if you decide to open an HSA. To be eligible to open and contribute to an HSA you must meet these IRS rules:

- Enrolled in HDHP
- A U.S. resident

Also, you cannot:

- Have other medical coverage, such as:
  - Medicare
  - TRICARE
  - A spouse’s health plan
    - Although, you are permitted to have other HDHP coverage
- Be claimed as a dependent on someone else’s tax return
- Have received veterans’ benefits within the last three months

You are permitted to elect a Limited FSA for dental and vision expenses.

Step 2: How to open an HSA

If you need to open an HSA, you must:

- Elect the HDHP option and HSA during open enrollment.
- Open an HSA with Health Equity — Arch Coal’s partner for administering the HSA. To learn more about Health Equity, go to myhealthequity.com or call 1-877-713-7712.

How the HSA works with your HDHP

With an HDHP plan, you’ll pay less in premiums than a traditional PPO plan. You can take your savings and put them into an HSA through payroll deductions. Next, use the HSA to pay for qualified health care expenses — or save for future retiree health care expenses.

<table>
<thead>
<tr>
<th>Option 1</th>
<th>Option 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PPO plan</strong></td>
<td><strong>HDHP</strong></td>
</tr>
<tr>
<td>Low deductible, higher monthly premiums</td>
<td>High deductible, low monthly premiums</td>
</tr>
<tr>
<td><strong>Health savings account</strong></td>
<td><strong>Premiums</strong></td>
</tr>
<tr>
<td>Put money into the HSA</td>
<td>Savings</td>
</tr>
</tbody>
</table>
Step 3: How the HDHP works

**Note:** Includes medical and prescription drug costs

1. **You pay your annual deductible.** A deductible is a set amount you pay each year before your plan starts paying for covered services. You may use your HSA funds to help pay for your annual deductible, but you don’t have to. You can choose to pay out of pocket and save these funds. And, if you don’t use all of the money in your HSA, your money will roll over to the next year.

2. **After you meet your annual deductible, you and your plan share the cost of covered services.** This is called coinsurance. You pay a percentage of the cost when you get care. Your plan pays the rest. Your share of the cost is 20% and the plan pays 80% for in-network services. For example, if you have a $100 procedure, you would pay $20. If you have enough funds in your HSA, you can choose to use those funds to pay your coinsurance amount.

3. **The plan pays all medical costs when you reach your out-of-pocket maximum for in-network services.** You’re protected by your plan’s out-of-pocket maximum — that’s the most you’ll pay for covered health services each plan year. You will not pay more than the out-of-pocket maximum for the care you get each benefit plan year, as long as you visit in-network providers.

*At any point, if there are no dollars left in your HSA, you pay for the covered expenses out of pocket until your deductible is met. Then you and your plan share the costs.*
Examples of how the HDHP with HSA and PPO plans work

When choosing a medical plan, consider the differences in deductible, out-of-pocket expenses and premiums with each plan. To help you better understand the true costs of these plans, the following examples show how the HDHP and PPO plans work.

**Joe**

Joe is a 25-year-old employee who elects single coverage. He had a sports injury during the year and incurred some physical therapy claims. Joe also had a few doctor office visits.

Joe had a total of $1,500 in medical claims for the year.

These examples include medical claims only. Be sure to consider your prescription drug usage when making your decision. Please note that prescriptions have a separate out-of-pocket max in the PPO plan. Prescription costs are included in the deductible and out-of-pocket max in the HDHP. Finally, the office visits reference assume they all fall under the major medical portion of the plan which is covered at 80% after the deductible is met.

**Which plan offers the most cost-effective coverage?**

The HDHP is the best value for Joe. He has lower premiums to pay with this plan and he also has the option to contribute to the HSA along with receiving Arch Coal’s $250 contribution. If Joe had chosen the PPO option, he would be paying higher premiums and his total cost would be higher.

<table>
<thead>
<tr>
<th>Expenses paid by Joe</th>
<th>HDHP Option</th>
<th>PPO Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual premium</td>
<td>$260</td>
<td>$832</td>
</tr>
<tr>
<td>Deductible paid</td>
<td>$1,500</td>
<td>$1,250</td>
</tr>
<tr>
<td>Coinsurance paid</td>
<td>$0</td>
<td>$50</td>
</tr>
<tr>
<td>Employer HSA contribution</td>
<td>$250</td>
<td>N/A</td>
</tr>
<tr>
<td>Total cost:</td>
<td>$1,510</td>
<td>$2,132</td>
</tr>
</tbody>
</table>
David

David is a 30-year-old who covers himself and his wife, Denise. David and Denise are usually in good health; however, this was not a typical year for them. They had a series of injuries and illnesses resulting in moderate medical costs. By year end, they had incurred $3,000 in claims.

These examples include medical claims only. Be sure to consider your prescription drug usage when making your decision. Please note that prescriptions have a separate out-of-pocket max in the PPO plan. Prescription costs are included in the deductible and out-of-pocket max in the HDHP. Finally, the injuries/illnesses references all assume they fall under the major medical portion of the plan, which is covered at 80% after they meet the deductible.

Which plan offers the most cost-effective coverage?

The HDHP is the most cost-effective plan based on the amount of claims incurred. The money David saves in premiums can be put into an HSA to use for his out-of-pocket health care expenses. If David elected the PPO option, his total cost would have been higher.

<table>
<thead>
<tr>
<th>Expenses paid by David</th>
<th>HDHP Option</th>
<th>PPO Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual premium</td>
<td>$1,508</td>
<td>$2,678</td>
</tr>
<tr>
<td>Deductible paid</td>
<td>$3,000</td>
<td>$2,500</td>
</tr>
<tr>
<td>Coinsurance paid</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Employer HSA contribution</td>
<td>$500</td>
<td>N/A</td>
</tr>
<tr>
<td>Total cost:</td>
<td>$4,008</td>
<td>$5,278</td>
</tr>
</tbody>
</table>

Heather

Heather is a 45-year-old who elects family coverage for herself, her husband Hank and their two children. Heather’s family is usually in good health. However, this year Hank had total knee replacement surgery, and Heather’s allergy problems resulted in several doctor visits. By year end, they had incurred $20,000 in medical claims.

These examples include medical claims only. Be sure to consider your prescription drug usage when making your decision. Please note that prescriptions have a separate out-of-pocket max in the PPO plan. Prescription costs are included in the deductible and out-of-pocket max in the HDHP. Since the PPO option provides 90% coinsurance (for surgical care and hospital care) after the deductible has been met, a range for total cost is shown below.

Which plan offers the most cost-effective coverage?

The HDHP option may be the better option, but it all depends on the type of services received during the plan year. Under Arch Coal’s plan, surgical and hospital care are covered at 90% after the deductible in the PPO plan. If only those services were received by Heather and Hank, the PPO option would be the most cost-effective option. However, major medical expenses are covered at 80% after the deductible in the PPO plan. If only those types of services were received by Heather and Hank, the HDHP option would be the most cost-effective option.

<table>
<thead>
<tr>
<th>Expenses paid by Heather</th>
<th>HDHP Option</th>
<th>PPO Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual premium</td>
<td>$1,768</td>
<td>$4,030</td>
</tr>
<tr>
<td>Deductible paid</td>
<td>$4,000</td>
<td>$2,500</td>
</tr>
<tr>
<td>Coinsurance paid</td>
<td>$3,200</td>
<td>$1,750 - $3,500</td>
</tr>
<tr>
<td>Employer HSA contribution</td>
<td>$500</td>
<td>N/A</td>
</tr>
<tr>
<td>Total cost:</td>
<td>$8,468</td>
<td>$8,280 - $10,030</td>
</tr>
</tbody>
</table>
Mark

Mark and his wife Mary are 57 year old empty nesters. Mark elects coverage for the two of them. They had some significant health issues that generated $50,000 in claims during the year. It also assumes that Mark and Mary equally use the benefits plan.

These examples include Medical claims only. Be sure to consider your prescription drug usage when making your decision. Please note that prescriptions have a separate out-of-pocket max in the PPO plan. Prescription costs are included in the deductible and out-of-pocket max in the HDHP.

Which plan offers the most cost-effective coverage?

Due to their high Medical claims this year, they will meet their maximum out-of-pocket limit. In this case the PPO is more cost effective. However, the tax advantage of the HSA could still make the HDHP option more attractive for Mark and Mary as they plan for future medical expenses in retirement.

<table>
<thead>
<tr>
<th>Expenses paid by Mark</th>
<th>HDHP Option</th>
<th>PPO Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual premium</td>
<td>$1,508</td>
<td>$2,678</td>
</tr>
<tr>
<td>Deductible paid</td>
<td>$4,000</td>
<td>$2,500</td>
</tr>
<tr>
<td>Coinsurance paid</td>
<td>$6,000</td>
<td>$4,750 - $5,500</td>
</tr>
<tr>
<td>Employer HSA contribution</td>
<td>$500</td>
<td>N/A</td>
</tr>
<tr>
<td>Total cost:</td>
<td>$11,008</td>
<td>$9,928 - $10,678</td>
</tr>
</tbody>
</table>
How the limited FSA works

If you enroll in the HDHP option, you can open a limited flexible spending account (FSA) to help pay for dental and vision expenses.

Here’s how it works:

- Deductions for the limited FSA are pretax.
- You can contribute $100 to $2,550 for the year.
- Funds are available January 1st.

To enroll, make the election during open enrollment.

You can only use the limited FSA funds for dental and vision care expenses. Keep in mind that it’s important to plan carefully and not put more money in your FSA than you think you’ll spend within a year, because at the end of the year, you lose any money left over in your FSA.

Your health. Your plan.

Visit anthem.com today to learn more about how you can take control of your health care spending with our HDHP with HSA. If you have questions about your health plan, call Customer Service at 1-855-690-9127.

Need more information about HSAs?

Check out Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans at www.irs.gov* and your Summary of Benefits and Coverage (SBC).