

Health Savings Account Smarter is Healthy



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PAYFLEX®

Health Savings Account (HSA)

HSA is an account you can contribute to with pretax money deducted from your paycheck. This money is used for eligible health care expenses.

- Used with a high deductible health plan (HDHP)
 - Insurance that does not cover first dollar medical expenses (except for preventive care)
- Helps reduce taxable income and increases take home pay!
- Use funds for current, and future, eligible health expenses (expense list found on member website)
- Unused funds roll over from year to year
- Contribute pre-tax and post-tax dollars
- Owned by individual, portable, not forfeited
- Triple tax advantage
 - Contributions (individuals/employers)
 - Interest and earnings on account balance
 - Qualified withdrawals

Qualifying for an HSA

❑ To be an eligible individual and qualify for an HSA, you must meet the following requirements:

- You must be covered under an HDHP, on the first day of the month
- You have no other health coverage
- You are not enrolled in Medicare
- You can't have received care under Veterans Administration (VA) benefits in the last three months, unless you were treated for a service-connected disability.
- You can not be claimed as a dependent on someone else's tax return
- You or your spouse cannot have a regular Flexible Spending Account (FSA) or a Health Reimbursement Account (HRA)

Qualifying for an HSA

- ❑ When opening an HSA Bank Account the account holder is the only one that must meet the IRS eligibility requirements even if covered under a family medical plan.
- ❑ Using your HSA funds:
 - You can use the money in your HSA to pay for medical care for family members.
 - You may withdraw funds to pay for the qualified medical expenses of yourself, your spouse or a dependent without tax penalty. Even if the spouse or the a dependent* does not meet the eligibility requirements to contribute to an HSA.

*Dependent must be a tax dependent

HSA Contributions

- Contributions can be made by anyone – individual, employers, eligible family member or combination
- Payroll deduction, lump sum, EFT, or combination
- Maximum contribution is equal to \$3,600 individual*/\$7,200 family*
- Catch-up contributions age 55+
 - \$1,000*
 - No contributions permitted if Medicare enrolled
- Make a one-time transfer from your IRA (Individual Retirement Account) – there are no taxes involved and the amount counts toward your HSA contribution limit for the year.**
- Contributions may be made until the tax filing deadline in April of the following year for current year

* For 2021 - subject to COLA (cost of living adjustment) in future years

HSA Withdrawals

Tax-free for qualified expenses for spouse and/or dependents that you claim on your tax return according to IRS Section 213(d)

Withdrawals

- Debit Card (select debit or credit; debits will need a PIN to complete transaction)
- Make a payment to a provider
- Pay for expense out of pocket and make a withdrawal to pay yourself back by transferring to a linked bank account

Permitted even if you are no longer eligible to contribute

- If you are Medicare enrolled
- If you are no longer enrolled in HDHP

Tax-free transfer to spouse upon employee death

Divided/disbursed in accordance with divorce decree

Insurance premiums are not a qualified withdrawal, except if

- Long-term care insurance premiums
- COBRA premiums
- Premiums while receiving unemployment
- Premium for Medicare Part B, C, D, excluding Medicare Supplement (i.e., Medigap)

Non-qualified withdrawals are

- Taxable, plus 20% penalty if under the age of 65
- Taxable, no penalty if used for non-qualified expenses if over the age of 65
- Taxable to beneficiary if the beneficiary is not the spouse

IRS Regulations

❑ You can cover dependents up to age to 26

- Effective September 23, 2010, or upon Plan Renewal date after September 23, 2010, health plans must cover adult dependents until they reach age 26. They do not even have to be college students. But the tax law did not change. You could have under your health plan a dependent adult who is not a dependent for tax purposes. That means you'll pay a penalty plus taxes if you use the pretax dollars from your HSA to pay health expenses for your older covered dependent.

❑ Domestic Partner

- In instances where the Domestic Partner does not qualify as a dependent (typically the case), the Domestic Partner should establish their own HSA Account to use for their own qualified medical expenses. Domestic Partner may establish an account with PayFlex or any HSA institution. General information about the rules for determining who qualifies as a dependent can be found on the IRS website at: www.irs.gov.

IRS Regulations

❑ Establishment Date

- Your HSA must be established before qualified medical expenses are incurred to receive distributions free from federal taxes and state tax (for most states). The “Establishment Date” of an HSA is important because an accountholder can only receive tax-free distributions from his/her HSA to pay or be reimbursed for qualified medical expenses incurred after the date the HSA is considered “established” (See IRS Notice 2004-02; Q&A 26).

❑ Individual No Longer in HDHP

- Individual can no longer contribute to HSA
- Individual keeps funds if in an HSA and use for qualified medical expenses
- HSA balance options:
 - Maintain with PayFlex for a monthly fee
 - Transfer to another HSA administrator
 - Close HSA, roll funds to another HSA administrator within 60 days
 - Close HSA, receive funds subject to taxes and penalties

HSA Record Keeping

- Should the HSA account holder keep receipts? **YES!**
 - *Can upload images of receipts through mobile app*
- May need to prove to IRS that distributions from HSA were for qualified expenses.
- Note: Account holder should not send these records with their tax return. Account holder would keep them with their tax records. Set aside qualified expense receipts in an envelope in case audited.**

Designating a Beneficiary

- Participants should choose a beneficiary when electing the HSA
- If spouse is the designated beneficiary:**
 - If your spouse is the designated beneficiary of your HSA, it will be treated as your spouse's HSA after your death.
- If spouse is not the designated beneficiary:**
 - The account stops being an HSA, and
 - The fair market value of the HSA becomes taxable to the beneficiary in the year in which you die.
 - If your estate is the beneficiary, the value is included on your final income tax return.

PayFlex Features

The PayFlex Difference



Dynamic web experience

- First to integrate account-based plans, wellness and eligibility
- Real-time account information
- Cutting edge notification technology
- Online claim submission

Multi-purpose debit card

- Multi-account debit card
- Real-time connection to First Data

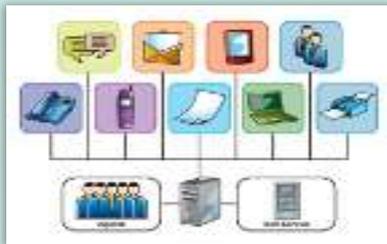


Integrated customer service model

- Experienced customer service
- One platform enables speed, accuracy and efficiency
- 24-hour IVR with ability to track calls by member

Innovative technology and engagement tools

- Proprietary administration platform
- Robust employee and employer portals
- PayFlex mobile™ 24/7 app
 - Manage your account
 - View transactions and expense items
- Real-time account messaging
- Engaging multi-media videos
- Integrated and customizable web portals
- Comprehensive education materials



Customer Identification Process

- Section 326 of USA Patriot Act requires all banks to verify the identity of anyone who tries to open an account.**
 - Name
 - Date of Birth
 - Social Security Number
 - Address
- Approximately 95% of all enrollment pass through within the first business day**
- If an employee does not pass, they are notified of the requirements needed to open the account.**
 - First letter mailed within 3 days
 - If no response within 30 days, second letter mailed
 - If no response within 60 days, final notice sent
 - If no response within 90 days of initial notice, account is closed, and funds are returned to you the employer

PayFlex Experience – debit card

All members receive PayFlex branded card



Mutual Fund Investments

Once you have at least \$1000 in your HSA you can open an HSA Investment account.

- Variety of mutual funds available
- No transfer or trading fees
- No minimum investment amount per trade request

Personal HSA Investment Tracking

- Track balances by fund as a percent of the portfolio
- Calculating personalized rates of return graphically and numerically
- Comprehensive reporting capabilities

Investment Management

- Asset allocation
- Transfers to and from liquid account
- Transfers between funds
- Rebalancing to elections and targets

The screenshot shows a financial dashboard with a navigation bar at the top containing 'My Dashboard', 'Financial Center', 'Benefits Center', 'Wellness Center', and 'Resource Center'. Below the navigation bar, there is a dropdown menu for 'SELECT ACCOUNT' with 'Health Savings Account' selected. The main content area is titled 'Enrollment' and contains the following text: 'Welcome to the HSA Investment Center!', 'Your HSA provides you an interest-bearing account into which your HSA contributions have been automatically deposited.', 'Congratulations! You have reached the minimum balance of \$1,250.00. You are now eligible to open an HSA Investment Account.', 'Your current HSA Cash Account balance is \$3,570.04.', 'You have \$2,320.04 available to purchase HSA investment funds!', and 'Click "Open Account" to begin the process of opening your account!'. Below this text is a blue button labeled 'OPEN ACCOUNT'. At the bottom of the page, there is a disclaimer: 'Shares of mutual funds and model portfolio are not insured by the FDIC or any other U.S. Government agency, and are not deposits or obligations of, or guaranteed or insured by, Fidelity or any bank. Past performance is not a guarantee of future results. All mutual funds and model portfolio are subject to market risk and, when sold, may be worth more or less than their original cost. You should understand the fund's or model portfolio's objectives and strategies, risks, and expenses before you invest. This and other information is contained in the fund's prospectus or model portfolio's Fund Facts. Please use the Investment Information area on this site to access a fund's prospectus or Model Portfolio's Fund Facts and other fund information. Please read the fund's prospectus and/or model portfolio's Fund Facts carefully before you invest. Carefully weigh the advantages and disadvantages of investing your HSA funds before doing so. Your ability to replicate losses in the investment account may be limited by the annual contribution limits of your HSA. Self-directed investment accounts are the sole responsibility of the account owner. Fidelity does not offer investment advice. In selecting and classifying the available mutual funds and investment model portfolio, neither Fidelity nor FNY Mellon is providing any personalized investment advice in connection with this program. Mutual funds and model portfolio offered are not chosen by Fidelity or FNY Mellon. Fidelity and FNY Mellon are not making a recommendation to individual health savings account holders. Open? that any of the mutual funds or model portfolio investment options.

Tax Reporting

- ❑ There are a number of required tax forms for HSA reporting.

Form 1099-SA: reports all account distributions. A distribution from your HSA for a qualified expense is not taxable. This form is produced by PayFlex and mailed by end of January.

Form 5498-SA: reports all contributions, both employer and employee, and earned interest. The individual has until mid April to contribute for the previous tax year. This form is produced by PayFlex and mailed in May for prior year contributions made after 12/31.

Form W-2: reports all employer contributions, including pre-tax payroll deductions. Employer contributions are not considered part of your income. This form is produced by Employer in box 12 with a code of W.

Form 8889: reports all contribution, withdrawals, interest, excess contributions and any withdrawals for non-qualified expenses. This form is completed by accountholder and submitted with tax filing.

Portals

Participant Portal

- Make a Deposit from linked bank account
- Make a Withdrawal to send HSA funds to linked bank account
- Make a Payment to pay provider
- Track expenses, deposits, withdrawals
- Establish alerts for new claims, low balance, reaching statutory max or reaching my selected contribution max
- Order additional Debit Cards
- Assign Beneficiary
- Access to forms and eligible expenses

Participant Portal

- Includes detailed transaction history.
- Access to funds and account management via bill pay, linked bank account and check request.
- Document management center that allows employees to upload, fax and attach important healthcare documents to their account.
- Ability to establish alerts and receive event-based messages to a mobile device, email address or post on the website.
- Online expense categorization and customizable expense reporting.
- Direct to access to investment options

The screenshot displays the Participant Portal interface. At the top, there is a navigation bar with 'My Dashboard' selected, and other options: 'Investor Center', 'Benefits Center', and 'Resource Center'. Below the navigation bar, the page is divided into several sections:

- Quick Links:** A list of links including 'My Benefits', 'Manage My Fund Links', 'FAQ Quick Links', 'Managing My Savings', 'Using A Check', 'My Health Card', and 'Need Help? Contact Us'.
- Alerts:** A yellow banner alert stating '20 Health Plan claims are available for action. [Learn More](#)'.
- News You Can Use:** A section titled 'Have questions? Customer Service is open on Saturdays!' with a sub-headline 'If you can't find answers to your questions online, we're happy to assist you. We're now open on Saturdays from 9 a.m. to 2 p.m. [Read More](#)'.
- Health Plan Activity:** A table showing activity for 'Health Plan Activity' and 'Health Plan Activity (Detailed)'.

Health Plan Activity	01/10/2014
Health Plan Activity (Detailed)	4
Health Plan Activity (Detailed)	25
Health Plan Activity (Detailed)	\$3,450.18
- Financial Center - My Accounts:** A table showing account balances.

Health Savings Account	
Year-to-Date Contributions	\$1,465.04
Year-to-Date Withdrawals	\$275.60
Current Spending Balance	\$1,189.44
Current Invested Balance	\$0.00
Total Account Balance	\$1,189.44

Make a Withdrawal

Your HSA dollars are only a few clicks away when you need to get reimbursed for healthcare expenses that you paid for with cash, check or personal credit card.

Getting started...

- Click on the Financial Center tab and select your Health Savings Account from the drop-down menu.
- Then click on **Make a Withdrawal** from the left navigation bar.
- Enter the amount and select the account you wish to transfer the money to.
- Select the expense category, enter description of expense and the date to process your withdrawal to help keep track of your expenses.
- You also have the option of uploading and storing documentation for your expenses.

Need reimbursement for a repeating expense?
You can set your withdrawal to repeat on a regular schedule, if needed.

The screenshot shows a web interface for making a withdrawal from a Health Savings Account (HSA). The top navigation bar includes 'My Dashboard', 'Financial Center', 'Savings Center', 'Withdrawal', and 'Business Center'. The 'Financial Center' tab is active, and a dropdown menu shows 'Health Savings Account' selected. The main heading is 'Make a Withdrawal'. Below this, there are three steps: 'Step 1: Withdrawal Amount', 'Step 2: Expense Category', and 'Step 3: Date of Expense'. The 'Step 1' section is active and contains the following text: 'Make a Withdrawal Instructions: Note: To request the transfer of excess contributions, 20% of this amount is used to pay the Excess Contribution and 80% will be used to make distributions to you per the 10% or 15% HSA distribution rates.' Below this, there are instructions on how to make a withdrawal from the HSA, including options for 'Total Withdrawal Amount', 'Expense Category', and 'Date of Expense'. The form fields are: 'Withdrawal Amount' (text input), 'Bank Account' (dropdown menu), 'Expense Category' (dropdown menu), 'Service To' (dropdown menu), 'Date of Expense' (text input), and 'Repeating Event' (checkbox). A 'Submit' button is at the bottom right.

Make a Payment

Pay your provider directly from your HSA

Getting started...

- Click on the Financial Center tab and select your Health Savings Account from the drop-down menu.
- Then click on **Make an HSA Payment** from the left-hand navigation bar.
- Enter your provider's information or select an existing provider.
- Enter the amount and add expense details to help you keep track of where your money is going.

Need to make monthly payments? You can set your payment to repeat on a regular schedule, if needed.

The screenshot displays the 'Financial Center' interface for making an HSA payment. At the top, there are navigation tabs: 'My Dashboard', 'Financial Center' (selected), 'Benefits Center', and 'Resource Center'. Below the tabs, a dropdown menu shows 'SELECT ACCOUNT: Health Savings Account'. The main heading is 'Make a Payment'. Below this, there are four steps, each with a checkbox and a description: Step 1: Taxes (Information: Date of service, amount), Step 2: Payment (Information: Select provider or reference), Step 3: Recurrence (Information: Choose how often to pay), and Step 4: Confirmation (Confirmation: Double-check payment details). Below the steps, there is a text prompt: 'Select a provider from your list of previously established providers or click on '+' to add a new one.' Below this prompt is a form with a dropdown menu labeled 'Select Your Provider' and a plus sign icon. Below the form is a 'CONTINUE' button. At the bottom right, there is a note: '*Use once a required field'.

Thank you!

