

Preferred HSA Member Enrollment Kit

What Preferred HSA Includes for You

Your Preferred HSA benefit package includes a high-deductible health plan (HDHP), plus a personal health spending account called a health savings account, or HSA.

High-deductible Health Plan (HDHP)

Example of a high-deductible health plan:

- A minimum annual deductible of \$1,200* (self-only coverage) or \$2,400* (family coverage); and
- An annual out-of-pocket maximum, including deductibles, of not more than \$5,950* (self-only coverage) or \$11,900* (family coverage).

Please refer to your Benefit Summary for information on your health plan design.

Health Savings Account (HSA)

An HSA is an account that you own containing money to pay for medical expenses for you and your family members. It may help to think of your HSA as a “healthcare IRA.” It must be used in conjunction with your high-deductible health plan (HDHP).

The money is held in an account by a qualified HSA trustee—usually a bank or other financial institution. The account works much like any other bank account. You can access your HSA funds by debit card, check, or withdrawal, and the account balance earns interest. Most HSA trustees also offer optional investment opportunities such as stocks, bonds, and mutual funds. HSA trustees often charge nominal fees for their services, such as a monthly account fee, overdraft fees, and charges for check printing.

Questions and Answers

Am I eligible to contribute to an HSA?

You are eligible to contribute to an HSA if you are covered by an HDHP, and:

- Are not covered by other health insurance (except for specific injury insurance or accident, disability, dental care, vision care, or long-term care insurance, which are allowed);

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PacificSource's HSA-qualified, consumer-directed health plan, lets you, the consumer, take a more active role in your healthcare.



Example: How the HSA Works

Note: This example is only for illustrative purposes, and your own plan benefits may be different.

Tony's employer contributes \$1,250 each year to his HSA, and his health plan has an annual deductible of \$2,500.

Year 1

Employer's HSA contribution:	\$1,250
Tony's annual medical expenses (all paid from his HSA):	\$500
End-of-year HSA balance	\$750
Tony's out-of-pocket medical expenses:	\$0

Year 2

HSA balance remaining from year 1:	\$750
Employer's HSA contribution:	+ \$1,250
Starting HSA balance for year 2	\$2,000
Tony's annual medical expenses (all paid from his HSA):	-\$1,500
End-of-year HSA balance	\$500
Tony's out-of-pocket medical expenses:	\$0

What kind of records should I keep for taxes?

HSA trustees are required to report all account distributions to the IRS. They are not required to verify that your HSA funds were used for qualified medical expenses; that's your responsibility. If your funds are used for any nonqualified purpose, you are responsible for reporting that to the IRS and paying the appropriate taxes. You should always save receipts from purchases made using your HSA funds. The receipts may be required for an IRS tax audit, or to prove that your HDHP's deductible was met.

How much money can be contributed to my HSA each year?

The maximum amount that can be contributed to an HSA each year is:

- \$3,050* for self-only coverage
- \$6,150* for family coverage

People age 55 and older are also allowed to make additional "catch-up" contributions set at \$1,000.

HSA contributions must stop once you become eligible for Medicare.

Can I use my HSA funds to pay for anything I want?

The short answer is YES. However, according to guidelines set by the federal government, HSA distributions are only tax- and penalty-free if used for the following expenses:

More Questions and Answers

What if I'm not eligible to contribute to an HSA?

If you're not eligible to contribute to an HSA—for example, because you're covered under your spouse's employer's plan and it is not HSA-qualified—you can still have coverage under the Preferred HSA HDHP. You will not be allowed to open an HSA, however. You can have insurance under a HDHP without an HSA, but you can't open or contribute to an HSA without coverage under an HDHP.

Who funds my HSA?

Your HSA may be funded by you, your employer, or both.

How will my HSA affect my taxes?

Contributions to your HSA are exempt from income tax.

- Contributions made by you are an "above-the-line" income tax deduction; that is, you do not need to itemize deductions to claim this expense on your income tax return.
- Contributions made by your employer, or deducted from your paycheck by your employer at your request, are not counted as income to you.

Keep in mind, it's your responsibility to keep records in case of an IRS audit.

*These amounts are for 2010, and may be adjusted annually for inflation by the U.S. Treasury Department.

- Any IRS section 213-eligible medical expense that's not otherwise reimbursed. Examples include medical deductibles and out-of-pocket expenses, acupuncture, birth control pills, braces, chemical dependency treatment, chiropractic care, dental care, diabetic supplies, elective (but not cosmetic) surgeries, hearing devices and batteries, insurance copays, laser eye surgery, medically necessary home improvements, hospital charges, massage therapy, medical equipment, medical monitoring/testing devices, mental health care, naturopathic care, orthodontia, orthopedic shoes, over-the-counter drugs, prescription drugs, therapy treatments, transportation for medical services, vision care including corrective lenses, and wheelchairs.
- The following types of health insurance (only) are also eligible:
 - COBRA continuation coverage
 - Health insurance while unemployed
 - Qualified long-term care insurance
 - Medicare premiums and out-of-pocket expenses (except Medigap premiums)
 - The employees share of premiums for employer-based coverage once you're eligible for Medicare

If HSA funds are used for any purpose other than for IRS section 213-eligible medical expenses, then the amount spent is subject to income tax plus a 10 percent excise tax. The excise tax is waived after you become eligible for Medicare, or become disabled or die (although the income tax still applies in those cases).

How do I access my HSA funds?

Typically, HSAs work like most other bank accounts, and you can access your funds with debit cards, checks, and withdrawals. Check with your HSA trustee for details.

Can I withdraw funds from my HSA at any time?

Yes. Your HSA funds belong to you, just like the money in your traditional bank account. So technically, you can withdraw funds any time you like for anything you wish. However, doing so may have tax implications and subject you to fees. Consult your tax professional for details. Our recommendation is to allow any unused HSA funds to remain in your account, thereby increasing your balance and ability to pay for unforeseen medical expenses.

What happens to my HSA if I leave my current job?

The minute your employer deposits funds into your HSA, those funds belong to you. They are yours even if you leave your current employment, and even if you are no longer eligible to contribute to the account yourself.

If you have questions, you are welcome to contact our Customer Service Department at 888.977.9299 or e-mail cs@pacificsource.com.

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What are my options for growing the funds in my HSA?

Because unused HSA funds are carried over from year to year, spending wisely can translate into more money for future healthcare needs and unexpected emergencies. In addition to that, many HSA trustees offer investment options for HSA accounts—much like those offered with a 401(k). Used wisely, this feature can not only help you pay for current health expenses, but also save for the future. You can choose to invest your funds in a wide range of stocks, bonds, and mutual funds.

Are there rules about which doctors I can see?

Your HDHP includes coverage for all eligible healthcare providers, but you'll make the best use of your healthcare dollars—and save on out-of-pocket expenses—by using our participating provider network. Our extensive network includes more than 34,000 providers throughout the Pacific Northwest. Plus, you have access to our nationwide provider network, The First Health Network®, when you travel or live outside our service area. Refer to your plan's Benefit Summary for details about your benefits for participating and nonparticipating providers.



Direct: 541.684.5582

Toll Free: 888.977.9299

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