BlueCross BlueShield of Kansas

SelectAccount℠
The benefit of knowing

Health Savings Account

2015 - 2016 reference guide

www.SelectAccount.com

Information at your fingertips

This list of chapters and page numbers will help you find the information you need quickly.
A detailed list of sections and topics is at the beginning of each chapter.

Chapter 1

Getting started with your health savings account (HSA)

This chapter introduces you to the many SelectAccount HSA features and describes how your health plan works with your HSA. You'll learn how to register at **www.SelectAccount.com** and how to set up your HSA with optional features. You'll also be introduced to all the online tools and resources available to you.

Chapter 1 | Getting started with your health savings account (HSA)

Section 5 Frequently asked questions 14

Section 1

Welcome to SelectAccount HSA

SelectAccount is a national leader in the administration of personal spending accounts. Our experience and tools make it easy to use your HSA.

Section 1.1

Getting to know SelectAccount

SelectAccount ranks among the top administrators nationally in managed HSA assets and accounts. We are an IRS-approved non-bank trustee with more than 25 years experience administering personal spending accounts.

Setting up and using a health savings account (HSA) makes a lot of sense. It's an easy and convenient way to pay for your eligible medical expenses, enjoy tax savings and earn tax-free interest on your account balance, too. SelectAccount is the right choice because:

- **Experience.** Since 1989 we've been focused solely on medical account administration, serving clients and individual account holders in all market segments across the country.
- **Choice –** SelectAccount offers a range of HSA account options with varying administrative fees and market-leading interest rates on account balances.
- **Service –** Our team of specially trained HSA experts are here to support you. In a recent survey, 96 percent of SelectAccount customers were either satisfied or extremely satisfied with the service they received. Give us a call at (651) 662-5065 or toll free at 1-800-859-2144. Our call center is open 7 a.m. to 8 p.m. Central Time, Monday through Friday.
- **Convenience –** Access your HSA funds quickly and easily with the SelectAccount debit card or choose other convenient reimbursement options like online reimbursement with direct deposit or crossover (automatic claim reimbursement). In addition, logging into your account via the Online Member Service Center gives you the freedom to manage your account anytime, anywhere.
- **Investments –** Once you reach a minimum of $1,000 in your account, you can invest the amount over $1,000 into mutual funds selected by Devenir Advisors LLC for SelectAccount. Once you have $10,000 in investments an optional self-directed HSA brokerage account is also available.

By enrolling in a HSA-qualified health plan, you've taken an important first step in managing your health and your health care dollars. Maximize the value by opening a SelectAccount tax-advantaged HSA that helps you pay for medical expenses now and in the future.

This HSA reference guide tells you everything you need to know about your SelectAccount HSA. If you can't find an answer here, call the SelectAccount service team at **(651) 662-5065** or toll free at **1-800-859-2144** or visit **www.SelectAccount.com**.

Section 1.2

Quick overview of what you need to do

Here's what you need to do to take full advantage of your plan and your HSA. All these steps are covered in more detail in this reference guide.

1. Enroll in an HSA qualified high-deductible health plan (HDHP)
2. Ensure you are eligible to contribute to an HSA
3. Open the HSA (medical expenses incurred before your HSA is set up are not eligible to be reimbursed) **– Note:** your account is not considered active until a contribution is made
4. Register online at **www.SelectAccount.com** to manage your HSA online

Section 2

Set up your HSA

Don't delay setting up your HSA
It's in your best interest to set up and begin funding your HSA early in your plan year – even if you don't intend to use it right away. That's because medical expenses incurred before your HSA is set up are not eligible to be reimbursed.

Don't worry, it's a simple process and we'll help you, if needed. You can set up your HSA online at **www.SelectAccount.com**.

Registration is a secure process, so only you can access your personal information. Be sure to enter your e-mail address. This will help us get your information quickly in the future.

If you already registered but don't have your user name or password, you can request that information online, using the "Forgot Username or Password?" link in the sign-in area or by calling SelectAccount customer service.

Section 2.1

Complete these steps

The first thing you need to do is complete the application and make a contribution:

- **HSA Application —** Go online and complete the HSA application. If you've purchased your plan as an individual (not through your employer), you can then select your HSA plan type.
- **HSA Contribution Form —** Go online and contribute funds to your HSA. Contributions can be made monthly, annually, or any timeframe you prefer. You can choose to fund your account now, or later in the year. Note: Your account is not considered active until a contribution is made.

Section 2.2

Your HSA features and options

Your HSA comes with many features and options that make it easy to use.

- **HSA Debit Card —** When you open your HSA, you will automatically receive a debit card which is included at no cost with any SelectAccount HSA. Your debit card gives you and your eligible dependents immediate access to your HSA dollars. This is the fastest reimbursement option.
- **Crossover (automatic claims reimbursement) —** If available through your health plan, crossover enables your health plan to electronically submit claims to SelectAccount to reimburse you from your HSA. That means no paperwork for you. (See Chapter 3 on page 23 to learn more.) *Note: Do not sign up for crossover if you have other health coverage. If you sign up for crossover, your HSA debit card will be removed.*

- **Direct Deposit —** SelectAccount can deposit your reimbursement directly into your checking or savings account. Direct deposit saves time because you don't have to deposit a reimbursement check and, in most cases, you'll be reimbursed sooner. Direct deposit makes sense whether or not you choose crossover.

Section 2.3

Reimbursement Options

HSA debit card:

- You will automatically receive a debit card when you sign up for an HSA.
- Use your debit card just like you would a debit card from your bank. Many account holders find this to be the simplest, quickest way access their HSA funds.

Online Withdrawal (also called Submit a Claim):

- Use the Online Member Service Center to request a reimbursement.

Crossover: (If your health plan participates in this program).

- If you or your dependents have other health coverage, do not sign up for crossover.
- If you do not want to use your debit card or online withdrawal options, change to crossover through My Profile at **www.SelectAccount.com.** The debit card option will be removed.

Section 2.4

Submit your application and contribution online

Apply online at **www.SelectAccount.com** or return your completed forms to SelectAccount at the address "noted" on the forms.

Please allow five to seven business days for SelectAccount to process your information. When your HSA is set up, you'll receive a welcome packet in the mail that includes a verification form from SelectAccount. *Note: You must make a contribution (deposit) to your HSA before it is officially active.*

Once you've set up your HSA and made a contribution, you can use the money in your HSA, tax free, to pay for your plan deductible and other eligible health care expenses. If you don't use all the money in your HSA, the balance "rolls over" to the next year. Those dollars earn interest at the stated rate and are available to pay for future medical expenses. As your HSA balance grows, you have the option to invest a portion of the funds. This makes an HSA a great savings tool for the future, including when you retire.

Need help?

Call SelectAccount customer service at **(651) 662-5065** or toll free at **1-800-859-2144** 7 a.m. to 8 p.m. Central Time, Monday through Friday.

Section 2.5

Your health plan Explanation of Health Care Benefits

When you use your health plan, you'll receive information about your claims. It will come in the form of an Explanation of Health Care Benefits (EOB). Your EOB provides detailed claim information including the care you received, the dollar amount covered by your health plan and the amount you owe your doctor or provider.

The EOB is not a bill. Your doctor will bill you separately for the amount you owe. If you elect crossover, (automatic claims reimbursement), your health plan will submit the claim to SelectAccount and you'll automatically be reimbursed from your HSA for the amount you owe, as long as there is money in your account (Please note: you can only elect crossover if your employer allows it and you are part of a participating health plan). You're still responsible for paying your doctor. If you did not select crossover, you'll need to use your HSA debit card, submit claims online, or submit claims manually to SelectAccount to be reimbursed from your HSA.

HSA claim activity is maintained by SelectAccount and can be viewed anytime in the Online Member Service Center at **www.SelectAccount.com**.

Section 2.6

Spend or save — What's your HSA strategy?

Your HSA allows you to be reimbursed for eligible health care expenses now or in the future. There are two key ways to grow your HSA:

1. Pay for your health care expenses out of your pocket as they incur and let your HSA dollars earn interest and grow tax free

2. Activate your HSA Basic Investment Account once your HSA Base Balance exceeds $1,000 and begin investing your HSA dollars. (See Chapter 7 on page 46 to learn more about your HSA investment options.)

Should you spend, save or invest your HSA dollars?

Ask yourself these questions:

- Will you and your family have medical expenses that you can't pay out of your pocket?
- Will you be able to let your HSA dollars grow, or will you need to use the HSA to pay for medical expenses?
- If this is not your first year with an HSA, what is your average account balance?
- If you choose to invest your HSA, are you willing and able to take on the financial risk?

If you can afford to let your HSA balance grow (by paying for medical expenses out of pocket), then saving and investing your HSA could be a smart move. However, if you have a lot of medical expenses and need to use your HSA to pay for those expenses, then consider leaving the money in your HSA Base Account where it will earn interest.

Section 2.7

Your health plan is an HSA-qualified HDHP

That means it meets the following criteria, which allows you to contribute to an HSA to help pay for eligible expenses.

Minimum plan deductibles for HSA compliant HDHPs in 2015 and 2016:

- 2015 individual minimum $1,300
  2016 individual minimum $1,300
- 2015 family minimum $2,600
  2016 family minimum $2,600

Maximum Out-of-Pocket levels for HSA Compliant HDHP's in 2015 and 2016

- 2015 individual minimum $6,450
  2016 individual minimum $6,550
- 2015 family maximum $12,900
  2016 family maximum $13,100

Other HDHP criteria

All services must apply toward the deductible (including prescription drugs), with the exception of preventive care services.
There can be individual (embedded) deductible(s) on family policies, as long as the individual deductible is not less than the minimum family deductible amount established by HSA law ($2,600 in 2015 and 2016).
Your health insurance plan can verify if you are on a qualified HDHP.

Family HSA deductible examples

(dollar amounts will vary – these are for illustrative purposes only)

	HSA-compliant deductible structure for a family health plan with an embedded individual deductible	HSA-compliant deductible structure for a family health plan
Individual deductible	$2,600	None – individual accumulations apply toward an aggregate family deductible
Family deductible	$5,000	$5,000
Example: Husband and wife on health plan. Husband incurs $2,700 in claims during year; wife incurs $500 in claims during year.	Husband meets $2,600 individual deductible, then the remaining $100 is paid at coinsurance or 100% (depending on plan design). Wife meets $500 toward her individual deductible. Total family deductible met is $3,100.	Husband meets $2,700 toward the family deductible. Wife meets $500 toward the family deductible. Total family deductible met is $3,200.

The deductible and out-of-pocket maximums are subject to annual adjustment for all of the high-deductible health plans at every level. These adjustments are effective on the plan's annual renewal date.

Section 2.8

HSA member eligibility

You are eligible to contribute to an HSA if you meet these criteria:

1. You are covered by an HSA qualified high-deductible health plan (HDHP). Also see preceding section 2.7 on page 10. You're ineligible for an HSA if you're covered under a health plan (as an individual, spouse or dependent) that is not an HDHP, including Medicare.
2. You are not a dependent. If you are claimed as a dependent on someone else's tax return, you cannot set up an HSA.
3. You are not covered by Medicare.
4. You are not in a medical flexible spending account (FSA) unless your FSA limits eligible expenses to vision, dental and preventive services during the health plan deductible period.
5. You have no other coverage. Note: Coverage under a spouse's FSA will disqualify your HSA, unless your spouse's FSA limits eligible expenses to vision, dental and preventive services during the health plan deductible period.

Eligible individual status is determined monthly as of the first of each month.

You can contribute to more than one HSA, but your total contributions cannot exceed the annual limit (see Chapter 2, Section 1 on page 19 for contribution limits).

You may enroll in the following types of plans while maintaining your HSA eligibility:

- Accident coverage
- Disability coverage
- Dental and vision care
- Long-term care insurance
- Insurance for a specified disease or illness
- Insurance that pays a fixed amount per day (or other period) of hospitalization
- Insurance in which the coverage relates to liabilities from workers' compensation laws, torts or ownership or use of property (such as automobile insurance)

Section 3

Manage your HSA online

Complete HSA transactions fast, easy and paperless on **www.SelectAccount.com**. At the Online Member Service Center you can:

- Submit an application to set up your HSA
- Get reimbursed for expenses
- Sign up for features like direct deposit
- Request a debit card or order a replacement card
- View account balances and transaction history
- Set up one-time or recurring contributions to your HSA
- Open and manage your HSA investment account
- Designate beneficiaries
- Give a family member or trusted individual authority to contact Select Account on your behalf
- Keep track of all your health care receipts in SelectAccount's *e-Vault* electronic document storage system.

Section 4

Understanding what and when you pay

Your HSA is a smart way to save money and pay for medical expenses, all at the same time. HSAs are easy to use. But there are a few things you should know as you use your new health plan and HSA.

With an HSA-qualified HDHP you pay for eligible medical expenses until you reach your deductible. When your deductible is met, your health plan starts to pay (subject to coinsurance amounts) until the out-of-pocket maximum has been met. When you've met your out-of-pocket maximum, the health plan pays 100 percent of covered expenses. Preventive care is covered at 100 percent, even during the deductible phase.

When the money in your HSA is spent, you'll pay for the rest of your deductible out of your own pocket, including prescriptions.

How can you avoid HSA "surprises"? Here are a few tips:

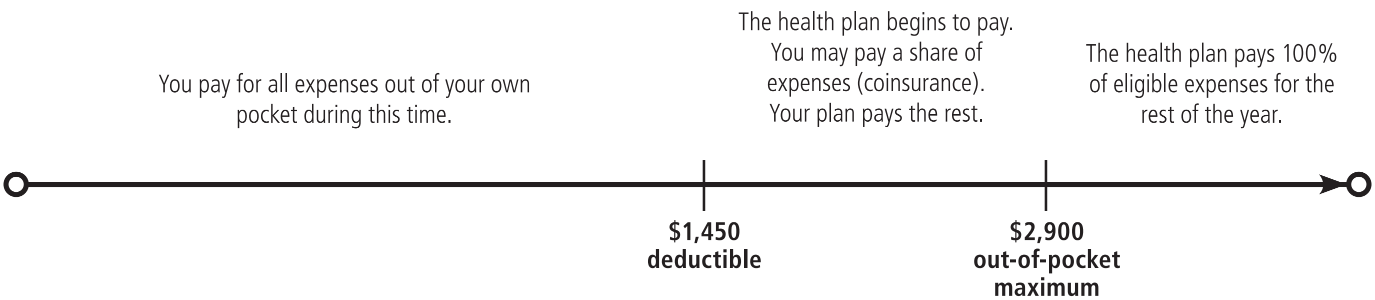
- Make sure that you and your spouse are aware of your current HSA balance when receiving care or filling prescriptions
- Keep track of your HSA activity so you know when you'll have to begin paying out of pocket. Use the Online Member Service Center or call customer service to get balance information
- Use generic drugs to save money on maintenance drugs. It can also help decrease the number of prescriptions you need after you've used up your HSA balance

While your HSA can go a long way toward helping you pay for your health care expenses, it may not cover all your expenses, at least not in the first few years. Here's an example of how your HSA works with your health plan to cover your expenses, and what your experience would be if you had a high-deductible health plan without an HSA.

Section 4.1

Example of an HDHP without an HSA

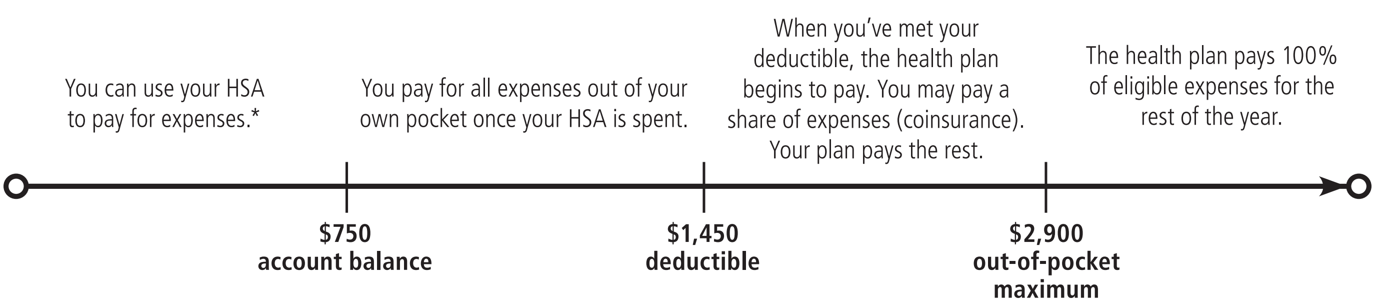
$1,450 deductible
$2,900 out-of-pocket maximum
80/20 coverage after deductible until the out-of-pocket maximum is met



Preventive care benefits are usually covered 100 percent from Day 1.

Example of an HDHP with an HSA

$1,450 deductible
$750 HSA contribution (you, your employer or both)
$2,900 out-of-pocket maximum
80/20 coverage after deductible until OOP is met



Preventive care benefits are usually covered 100 percent from Day 1.

***Additional features: Your HSA allows you to save any unused dollars for future health care expenses, PLUS you can have triple tax advantages; money put into the account isn't taxed; unused account dollars earn tax-free interest; and withdrawals aren't taxed if used for qualified medical expenses.**

An additional difference between a deductible plan and an HSA plan: with an HSA plan, prescriptions are subject to the deductible.

Section 5

Frequently asked questions

Q: What is an HSA?

A: An HSA or health savings account is a special tax-preferred trust or custodial account established under Internal Revenue Code Section 223 that is used to pay for medical expenses. All references in this document to Sections refer to the Internal Revenue Code. HSAs works with a qualified high-deductible health plan (HDHP).

Depending on your situation, HSA contributions may be made by you, your employer or both. Contributions are deductible — or excluded — from your gross income. Since your HSA is your own individual account, you alone control the account. For example, you alone are responsible for ensuring the funds from your HSA are used for eligible medical expenses only.

Q: What are the advantages of an HSA?

A: There are many financial advantages to owning an HSA, including:

- Employer contributions and employee pretax contributions via a cafeteria plan are not taxable income
- Post-tax contributions are tax deductible even if you do not itemize deductions on Form 1040
- You may make tax-free withdrawals from your HSA for eligible medical expenses not covered by your plan
- The interest or other earnings on the HSA funds accumulate tax free
- If, in the future, you are not covered by an HDHP you may still make tax-free withdrawals from your account for eligible medical expenses but you can no longer contribute to the HSA
- If you become disabled or reach age 65, withdrawals can be made for non-medical reasons without penalty, but amounts must be reported as taxable income

Q: What are my responsibilities as an HSA holder?

A: Your HSA belongs to you. You're responsible for maintaining the account. Here's what is expected of you as an HSA holder:

- Ensure that you have an HSA-qualified HDHP
- Ensure that contributions do not exceed the annual maximum
- Ensure that withdrawals for non-qualified expenses are added back to gross income
- Keep all records that support withdrawals from your account. SelectAccount's *e-Vault* electronic document storage system is a convenient tool you can use to keep track of your important health care receipts and documents
- Complete the required tax form (Form 8889) and attach it to Form 1040
- Ensure that you do not have any medical coverage that will disqualify the HSA including a general purpose FSA
- Ensure that you cannot be claimed as someone else's tax dependent

Q: What if, in the future, I am not covered by an HDHP or I end coverage through my employer?

A: If you or your employer change health plans and the new plan is not an HDHP, you can continue to use your HSA for eligible medical expenses, but you can't contribute to your HSA for any month that you were not covered by an HDHP.

Q: If I (or my employer) change health plans midyear, from a non-HSA plan to an HSA plan, can any amount paid toward my previous plan deductible be applied to my new HSA plan deductible?

A: Yes, amounts that were applied to your deductible in the same calendar year or in the same plan year from a non-HSA plan to an HSA plan will carry over and be applied to your new health plan deductible.

Q: Can business owners not eligible for a health reimbursement arrangement (HRA) establish an HSA?

A: Yes. This includes owners of S corps, sole proprietors, LLCs, LLPs and partnerships. However, these individuals cannot use pretax dollars via a cafeteria plan to fund their HSA. These individuals are eligible to make post-tax contributions to their HSA and claim a deduction when they file their taxes. We recommend you consult your tax advisor in this situation, as special rules apply.

Q: Is someone enrolled in Medicare eligible for an HSA?

A: If you're enrolled in a Medicare program, you cannot establish a new HSA. Contributions to an existing HSA must be prorated for the year you enroll in Medicare. You can, however, spend down your existing HSA. If you decline Medicare coverage when you turn 65, you can continue to contribute to an HSA. For more information about HSAs and Medicare, see Chapter 4, Section 2 on page 32.

Q: Is the HDHP portable?

A: Yes. If you leave your job, your health plan's medical coverage may be continued through COBRA. This coverage remains an HDHP. Once COBRA coverage ends, you may apply for portability coverage. Remember, you own your HSA and the dollars are yours to keep.

Q: How is interest credited to my HSA?

A: SelectAccount will credit interest monthly on the average daily balance for the month in your HSA. SelectAccount reserves the right to declare a different rate of interest at any time. SelectAccount does not pay interest on funds that are transferred to optional investment accounts.

Q: Is there a fee for having an HSA?

A: Yes (with the exception of the FreeSaver HSA plan option). If you purchased your plan as an individual, you can choose which of the five HSA options is best for you. Each program has a different fee. (You'll find the fee options on your HSA Application.) If your HSA is through your employer, your employer will choose the program option and may pay the fee for that program or pass it on to you. Accounts paid by individual account holders are billed annually and payment is automatically debited directly from the HSA, as soon as funds are available.

Q: Why did I get a bill from my provider?

A: You're responsible for paying your plan deductible and any out-of-pocket expenses (including coinsurance) that you incur at the provider's office or pharmacy. Your provider will send you a bill for the amount you owe after your health plan has processed the claim and applied discounts you receive as a health plan member. You can use your HSA dollars to pay these expenses. See Chapter 3, Section 1.2 on page 25 for more on the crossover option.

Q: Will I have to pay my provider before I am reimbursed from my HSA?

A: It's possible. Some states' law authorizes providers to collect deductible and coinsurance amounts at the time of service, but providers may not deny you treatment if you are unable to pay in advance. If you have crossover, you'll usually receive your reimbursement before you get a bill from your provider. If you need to make special payment arrangements with your provider or clinic, call the clinic's business office. Any late charges are your responsibility and while you may choose to pay these fees from your HSA, they are considered ineligible expenses and will be subject to income tax and a 20 percent penalty tax.

Q: Why did I have to pay for my annual checkup? I thought I had 100 percent coverage.

A: Many plans pay for preventive care at 100 percent. Check your Summary Plan Description or call your health plan customer service to learn more about your preventive benefits. These resources can also verify which services count as preventive care.

Q: Why did I get a check in the mail from SelectAccount? Who is SelectAccount?

A: SelectAccount is the administrator of your HSA (and FSA, if you have one), not your health plan. SelectAccount processes your reimbursement claims and then either sends you a check for the amount requested or deposits the money into a checking or savings account. It's your choice.

Q: What happens to an HSA at the end of the year?

A: The funds in an HSA, regardless of the source of contributions, always belong to you as the account holder. Contributions remain in the account from year to year until used.

Chapter 2

Contributing to your HSA

There are many good reasons to contribute to your HSA — and several ways to do it. This chapter examines why it is so beneficial to contribute to your HSA, presents strategies and tips to make contributing simple and easy, and discusses contribution limits, catch-up contributions, rollover contributions and more.

Chapter 2 | Contributing to your HSA

Section 1

Who can contribute to an HSA?

An individual, an employer, or both can make contributions to an HSA. As an employee, you won't pay tax on the contributions your employer makes to your account. In addition, you won't pay tax on contributions made through a company-sponsored cafeteria plan (if offered by your employer). You can also make post-tax contributions and itemize them as an above-the-line deduction when you complete your tax return, even if you don't itemize deductions. *Note: HSA contributions must be made in cash and are voluntary.*

Current contribution information can be found on the U.S. Department of Treasury website at **treas.gov**. The maximum annual HSA contribution limits for an eligible individual without catch-up contributions are:

Maximum Contribution Limits

2015 Limits	2016 Limits
$3,350 for individual coverage	$3,350 for individual coverage
$6,650 for family coverage	$6,750 for family coverage
$1,000 age 55+ catch-up contribution (in addition to individual or family maximum)	$1,000 age 55+ catch-up contribution (in addition to individual or family maximum)

Section 2

Catch-up contributions

If you are age 55 and older and are eligible to have an HSA, you can contribute an additional $1,000 a year to your own account until you reach age 65 or enroll in Medicare. If you had HDHP coverage for the full year, you can make the full catch-up contribution regardless of when your 55th birthday falls during the year. If you did not have HDHP coverage for the full year but meet the "13-month testing period," you can still contribute the entire catch-up amount. For more about the testing period, see Section 4, page 21.

A spouse in the same situation can also contribute an additional $1,000 to his or her own HSA.

Section 3

Strategies to make your money work for you

- Because your HSA-qualified health plan is a high-deductible health plan, chances are it has a lower monthly premium than a traditional health plan. Consider contributing the premium savings to your HSA. If done automatically through your employer's pretax payroll deduction plan, you'll save federal and FICA taxes. By claiming the HSA contribution as part of your 1040 tax filing, you'll save federal taxes on post-tax contributions.
- If you can't make regular HSA contributions, deposit some dollars in your HSA to set up your account. Then contribute as you incur medical expenses to take advantage of tax-free withdrawals to reimburse yourself. Your HSA must be set up before expenses are eligible to be reimbursed. The HSA is not considered active until money is deposited into the account.
- Make the maximum contribution allowed and take out only what you need for eligible expenses. This reduces your taxable income and gives you the benefit of tax-free health care expenses.

An effective strategy for quickly growing your HSA is to pay for your health care expenses out of pocket while letting your HSA funds accumulate tax free. Save your medical expense receipts so you can be reimbursed from your HSA later or even after you retire. See an example of this strategy in Chapter 4, Section 1.2 on page 31. *Note: Before deciding on your HSA contribution and investment strategy, consult your tax advisor or accountant. SelectAccount cannot provide tax advice.*

Section 3.1

Contributions through payroll deductions

The easiest way to contribute to your HSA is through your employer's pretax payroll deduction program. However, you can make post-tax contributions any time.

- You can make online contributions by authorizing withdrawals from your bank account or mail your contributions to SelectAccount.

Section 3.2

Rollovers contributions and transfers

Rollover contributions and transfers to an HSA are permitted as long as the source of the funds is another HSA or medical savings account (MSA). Funds that move directly between the old account trustee and the new account trustee are called trustee-to-trustee transfers. All other movement of funds from an HSA or MSA account is considered a rollover contribution. A rollover of HSA funds must be completed within 60 days from the date of receipt to avoid taxation. One rollover every 12 months is permitted. If you make a rollover contribution, you must certify to the trustee, in writing, that you are making a rollover contribution. Once made, the certification is final. An unlimited number of trustee-to-trustee transfers may be arranged by you without the restrictions mentioned for rollover contributions.

Since your HSA is owned only by you, you cannot roll over or transfer money to your spouse's HSA account unless you die or a legal proceeding such as a divorce requires it.

The rollovers and transfers discussed in this section do not count toward your maximum annual HSA contribution.

Section 3.3

Moving money from an individual retirement account (IRA)

You can make a one-time, tax-free transfer from an existing traditional IRA to your HSA. This rollover must be transferred from trustee to trustee to receive the tax benefit. The amount transferred counts toward and is limited to your maximum annual HSA contribution amount.
To complete an HSA transfer, visit **www.SelectAccount.com** and download the form called the HSA One-Time IRA Rollover Request Form.

Section 3.4

A smart IRA rollover strategy

If you have a traditional IRA (not a Roth, SEP or SIMPLE IRA) and one year you do not have the means to maximize your HSA contribution, consider rolling part of your IRA into your HSA (up to the contribution maximum amount). This one-time strategy works well for people age 64 or younger because it must be done prior to enrolling in Medicare. In addition, you may have a lower annual income (especially if you're an early retiree).

Dollars withdrawn from traditional IRAs are taxed. But dollars withdrawn from an HSA are not taxed if used for eligible medical expenses.

Section 3.5

Top reasons to contribute to your HSA

- Contributions can often be made through an employer cafeteria plan on a pretax basis
- Contributions remain in your HSA from year to year until they are used. Unlike an FSA, there is no "use-it-or-lose-it" provision.
- Contributions can be made by an employer, an employee or both in the same tax year
- Individual contributions are tax deductible; employer contributions and employee contributions through a cafeteria plan are excluded from taxable income
- Money accumulates tax free with interest paid on funds that have not been invested
- Funds can be withdrawn tax free to pay for eligible health care expenses. You can also make tax-free HSA withdrawals to pay some insurance premiums. See Chapter 3, Section 3.1 on page 27 for a partial list of eligible medical expenses.
- Funds can be used for non-eligible expenses but taxes and penalties apply
- The HSA belongs to you no matter where you work
- HSA funds are a great way to pay for medical expenses after you retire

Section 3.6

Excess HSA contributions

Contributions that exceed the maximum limit for the year or that are made by an ineligible individual are considered excess HSA contributions. If you make an excess contribution, it should not be deducted from your income on the tax return. Contributions made by employers (or pretax contributions through a cafeteria plan) that exceed the allowable limit must be added back to gross income by the employee on the individual's tax return. It is not the employer's responsibility to add such amounts retrospectively as income to the employee's W-2. However, an employee must make every reasonable effort to notify his or her employer prospectively that employer contributions will exceed the allowable limit so the employer can make the necessary changes to the contribution. An excise tax of six percent for each tax year is imposed on the account holder for these excess individual or employer contributions. If, however, the excess contributions for a tax year and the net income attributable to these excess contributions are taken out of the account before the tax return deadline, the excise tax does not apply. However, the net income attributable to the excess contribution is included in the account holder's income for the tax year the withdrawal is made.

Section 4

Frequently asked questions

Q: For new HSAs, are maximum contributions prorated on a monthly basis?

A: Annual HSA contributions for new HSAs are not prorated on a monthly basis as long as you are HSA-eligible on December 1 and maintain HDHP coverage throughout the subsequent 13-month testing period. The testing period begins on December 1 in the year the qualified HDHP coverage is obtained and runs through December 31 of the following year. The testing period is also called the "13-month rule." Enrolling in an HDHP and establishing an HSA any time after January 1 triggers the "testing period" if you contribute the maximum amount to your HSA. If you do not satisfy the 13-month rule, contribution limits are prorated and tax consequences apply. See Chapter 5, Section 1.2 on page 37 for examples of pro-rated maximum contribution amounts.

Q: What if contributions exceed the annual limit?

A: Generally, you must pay a six percent excise tax on contributions made to an HSA that are greater than the annual limit. (See IRS Form 5329 to determine this tax.) If excess contributions are made, you won't pay the excise tax on that excess amount if you:

- Withdraw the excess contributions by the due date of your tax return, and
- Withdraw any income earned on the withdrawn contributions and include the earnings in "other income" on your tax return for the year.

Q: What if contributions and/or withdrawals do not occur according to regulations?

A: As the account holder, you must report contributions and withdrawals to the IRS. You're responsible for ensuring that HSA transactions are within the allowed regulations. Excess HSA contributions may be corrected by withdrawing the excess amount plus any attributable net income before the due date of your tax return thus avoiding a six percent excise tax. You're allowed to correct mistaken HSA withdrawals when there is clear and convincing evidence that amounts were distributed from an HSA because of a mistake of fact due to reasonable cause. You can correct the mistake by repaying the withdrawal no later than April 15 following the first year that you knew or should have known that the withdrawal was a mistake. When a correction is made, the mistaken withdrawal does not have to be included in gross income or be subject to the additional excise tax. The repayment does not count as an excess contribution. If an error is made by SelectAccount in its role as the administrator, SelectAccount is responsible for taking corrective action.

Q: Is the maximum contribution level adjusted if I move from family to single coverage, or vice versa?

A: Yes. You may contribute more if you move from single to family coverage. You can make a prorated contribution based on when coverage was in force or you can make the entire annual maximum contribution as long as the coverage is maintained through December of the following year. You may have to decrease contributions if you move from family to single coverage (the decrease will apply to any month in which single coverage was in force for a portion of the month). You can change your contribution election at any point, however you must ensure contributions do not exceed allowable amounts. See Chapter 5, Section 1.2 on page 37 for examples of prorated maximum contribution amounts.

Q: Can employee pretax HSA contributions be changed throughout the year?

A: Yes. Eligibility requirements and contribution limits for HSAs are determined on a month-by-month basis, rather than an annual basis. If you make HSA contributions under a cafeteria plan, you can start or stop contributing or increase or decrease the amount at any time, as long as the change occurs after the change request is received.

Q: Can I roll over or transfer funds from an existing HSA or MSA to an account with another custodian?

A: Yes. If you want to transfer an existing HSA or Medical Savings Account (MSA) balance to SelectAccount, SelectAccount will move the funds. If you want to roll over an existing HSA or MSA with SelectAccount, the assets in that account will be distributed to you. Under a rollover, you must deposit the amount into the new account with SelectAccount no later than the 60th day after the withdrawal was received from the previous custodian to avoid tax penalties.

Q: If my HSA is set up midyear (after my FSA), can I change my FSA contributions for the rest of that year?

A: Perhaps. You can only change your FSA election for specific qualifying events, such as marriage, divorce, birth of a child or adoption. Coverage under a spouse's FSA will disqualify your HSA, unless your spouse's FSA limits covered expenses to vision, dental and preventive services during the health plan deductible period.

Q: Can I contribute to an HSA at the same time as an FSA and/or HRA?

A: You can contribute to an HSA while covered by the following types of medical FSAs and/or HRAs: limited purpose FSA and/or HRA; suspended HRA; post-deductible FSA and/or HRA; retirement HRA (See Chapter 8, Section 3 on pages 54 – 55 for term definitions). If the account holder can be reimbursed, a medical FSA that pays for all eligible expenses (a general purpose FSA) disqualifies you from contributing to an HSA. If the general purpose medical FSA has a grace period, you cannot contribute to an HSA during this time, unless the FSA has a $0 balance at the end of the plan year.

Q: Can an individual and their spouse have family HDHPs and HSAs?

A: Yes. If both an individual and spouse have family HDHPs, the maximum annual HSA contribution for the family is $6,750 in 2016. This is true if there is just one HSA or if each spouse has their own HSA. A family cannot increase its annual contribution just because there are two HDHPs and/or two HSAs. This limit is split equally unless the individual and spouse agree on a different division. An account holder, age 55 or older, can contribute an additional $1,000 catch-up contribution to their own HSA account. For other tax situations, consult your tax advisor.

A husband and wife cannot have a joint HSA. Each spouse who wants to contribute to an HSA must open a separate HSA. Dollars cannot be transferred between the HSAs. However, one spouse may use withdrawals from his or her HSA to pay or reimburse the eligible medical expenses of the other spouse, without penalty. However, both HSAs may not reimburse the same expenses. *Note: If a husband and wife each has an individual HDHP, each can contribute up to $3,350 in 2016, plus a $1,000 catch-up contribution to their own HSA if they are age 55 or older.*

Q: Is there a deadline for setting up and contributing to an HSA?

A: Your HSA must be set up and contributions made by your tax return due date for the year. For calendar year taxpayers, the deadline for HSA contributions is April 15 (unless that day is a Saturday, Sunday, or legal holiday, then the next business day). This deadline applies regardless of whether contributions are made by you (individual/employee), your employer or both. This deadline also applies regardless of whether you have an extension with the IRS. If a contribution is made after April 15, it applies to the following (current) tax year.

Chapter 3

Being reimbursed from your HSA

HSAs give you several reimbursement options, including debit card, online reimbursement requests, crossover (automatic claim reimbursement) and direct deposit. This chapter examines your HSA reimbursement options, introduces you to the broad range of medical expenses for which you can be reimbursed from your HSA and gives an example of how you are reimbursed from your account.

Chapter 3 | Being reimbursed from your HSA

Section 1

Your HSA reimbursement options

Getting reimbursed for eligible health care expenses from your HSA is easy. You can get your money faster by enrolling in special features like the HSA debit card, crossover (automatic claims reimbursement), online withdrawal or direct deposit. Why send in paper claims to get reimbursed when you can do it more quickly online? All of these options are available online at **www.SelectAccount.com**.

Section 1.1

Debit cards

You can use your debit card to pay your portion of eligible medical, dental and vision expenses. Debit cards are an attractive option with several advantages. They are easy to use and there is no waiting to be reimbursed from your HSA. The debit card automatically transfers funds from your HSA to your health care provider. You avoid paying cash up front and don't have to submit a claim reimbursement form and wait to be reimbursed. There's no paperwork. Debit cards are included at no extra cost.

When to use a debit card — A debit card lets you control where and when to use your HSA dollars. For medical claims usually processed by your health plan, simply write your debit card number on your doctor's bill and return it to the provider. You can also call your health care provider with your debit card number.

Section 1.2

Crossover

Another automatic HSA reimbursement option is crossover (only available with certain health plans). It allows your health plan to send your medical claims from the provider to SelectAccount for reimbursement.

When to use crossover — People who use their HSA to pay for current medical expenses find crossover convenient. It works for a wide range of eligible health and medical expenses. If you incur vision or other claims that are not eligible for crossover, you can simply submit a withdrawal request online at **www.SelectAccount.com**.

Remember, you cannot select both crossover and the HSA debit card — you can choose only one of these options. Note: If your dependents have other health coverage, you should not sign up for crossover.

Section 1.3

Online and manual claims

If you do not select crossover or if crossover is not available to you (or if you have an HSA debit card and choose not to use it), the fastest and easiest withdrawal method is requested online by signing into the Online Member Service Center at **www.SelectAccount.com**. The paper withdrawal request form can be requested by calling 1-800-859-2144. SelectAccount will process the request and reimburse you as long as there are sufficient funds in your HSA. Reimbursements can be deposited into your checking or savings account, or sent to you as a check.

Section 1.4

Direct deposit

Another time-saving feature of your HSA is the ability to choose direct deposit. It gives SelectAccount the authority to deposit reimbursements directly into your checking or savings account. This saves you a trip to the bank to deposit a paper check and, in most cases, decreases the time it takes to be reimbursed from your HSA.

Note: If a reimbursement request is greater than the account balance, the difference will pend for up to one year and be reimbursed as funds become available. When you submit a claim, you're responsible for verifying that the expense is an eligible medical expense as determined by Section 213(d). You should keep appropriate receipts for all medical payments (provider name, date, reason, and amount). However, you do not need to submit this information with your withdrawal request.

Section 2

How you are reimbursed from your HSA

Here's an example of how you are reimbursed from your HSA with a debit card vs. crossover

Section 2.1 How you are reimbursed with a debit card	Section 2.2 How you are reimbursed when you have crossover
Step ❶ You cut your hand doing yard work and go to the doctor, who examines the wound and applies a few stitches.	**Step ❶** You cut your hand doing yard work and go to the doctor, who examines the wound and applies a few stitches.
Step ❷ Your doctor submits the claim to your health plan	**Step ❷** Your doctor submits the claim to your health plan.
Step ❸ Your health plan pays the portion of the claim that's covered by them.	**Step ❸** Your health plan pays the portion of the claim that's covered by them.
Step ❹ You receive an Explanation of Health Care Benefits (EOB) from your health plan stating what has been paid by them and any amount that you owe.	**Step ❹** Your health plan automatically sends SelectAccount your payment responsibility information on this claim.
Step ❺ If you have the HSA debit card and did not use it at the time of service, simply write your debit card number on the bill or call your health care provider's business office with the number. You can show your debit card before or after services - run as a "credit" instead of debit.	**Step ❺ SelectAccount will access your account and reimburse you (to the extent that funds are available in your account). If you have more than one account (for example, an FSA and an HSA) the order in which your accounts are accessed is determined by your plan.**
Step ❻ The balance due after your health plan has paid is charged to your debit card and paid from your HSA to your provider.	**Step ❻** You will receive your reimbursement check or direct deposit notification.

NOTE: If the claim cannot be paid in full from your HSA, the claim will pend for up to 12 months, and you will be reimbursed as additional contributions are made to your account. In the meantime, you will still need to pay your provider.

Remember, you are responsible for keeping all documents and receipts of all eligible medical expenses whether paid through a debit card, crossover or manual claim. You need this documentation if you are audited by the IRS.

Section 3

Medical expenses that can be reimbursed by your HSA

Your HSA can reimburse you for a broad range of health and medical-related expenses. Below is a partial list of eligible health care expenses. For a more detailed listing of eligible, potentially eligible and ineligible health care expenses, go to **www.SelectAccount.com**. If you have eligibility questions, please contact SelectAccount customer service at **(651) 662-5065** or toll free at **1-800-859-2144.**

Section 3.1

Partial list of eligible health care expenses

- Asthma treatments/nebulizer
- Chiropractic treatments (for example, adjustments)
- Coinsurance amounts (health, vision, dental)
- Copayments (health, vision, dental)
- Deductibles (health, vision, dental)
- Dental procedures, non-cosmetic (for example, X-rays, fillings, extractions, crowns, implants)
- Eyeglasses — prescription sunglasses, safety glasses
- Hearing tests, aids and batteries
- Long-term care premiums
- Patient responsibilities under the medical, dental or vision plan solely because of the plan's deductible, copay (coinsurance), reasonable and customary charge limit or benefit limit
- Prescription drugs (drugs ordered from other countries are not covered)

Health care expenses that can be reimbursed from your HSA include services and supplies incurred by you or your dependents for the diagnosis, treatment and prevention of disease or for the amounts you pay for transportation to and from medical care.

In general, deductions allowed for medical expenses on your federal income tax according to Internal Revenue Code Section 213(d) may be reimbursed through your HSA. You cannot deduct medical expenses on your federal income tax that have been reimbursed through your HSA. It is possible that changes in the IRS rules can affect the eligible, potentially eligible, and/or ineligible expense categories.

HSA-eligible health care expenses include the following health insurance premiums:

- COBRA
- Health insurance premiums while receiving unemployment compensation under state or federal law
- Medicare insurance (except Medicare supplement plans after you reach age 65)
- Employer-sponsored retiree medical plans after you reach age 65
- Qualified long-term care insurance

Section 3.2

Capital expenses

A capital expense is an improvement and/or special equipment added to a home or other capital expenditure that may be eligible if the primary purpose is medical care. An example might be constructing a ramp that allows for wheelchair access to a home. Remember to keep all receipts and documentation for eligible health care expenses with your tax records. SelectAccount's *e-Vault* electronic document storage system is a convenient tool that you can use to electronically store these important documents. Simply scan or take a picture of a receipt or document and upload it to *e-Vault*.

Section 4

Frequently asked questions

Q: What expenses can be paid from an HSA?

A: Payments for eligible medical expenses incurred by you or your tax dependents can be made tax free. Other payments result in income tax and excise tax penalties. An eligible medical expense is an expense for medical care as defined by Section 213(d). The expenses must primarily be to alleviate or prevent a physical or mental defect or illness. Many expenses for medical care will fall under Section 213(d). For a detailed listing of eligible, potentially eligible and ineligible medical expenses, go to **www.SelectAccount.com**. On the home page, click on HSA Resources to view eligible expenses. (See IRS Publication 502, Medical and Dental Expenses, for a detailed explanation.)

Q: What premiums can be paid from an HSA?

A: Qualified premiums include:

- COBRA health insurance
- Insurance premiums after you reach age 65, including Medicare Parts A, B, C and D but not Medicare supplement plans
- Qualified long-term care insurance
- Health insurance premiums while receiving unemployment compensation under state or federal law
- Premiums for employer-sponsored retiree medical plans for account holders 65 or older

Refer to **www.SelectAccount.com** for a more complete list of eligible medical expenses.

Q: Are claims incurred prior to setting up my HSA eligible to be reimbursed?

A: No. Only claims incurred on or after the date that your HSA was established are eligible regardless of the effective date of the HDHP. Your account is considered established when funded.

Q: If I have both an HSA and an FSA, which account pays first?

A: SelectAccount will always attempt to pay your expenses from the FSA first as this is a “use it or lose it” type of account. However, medical expenses can’t be paid from the FSA during the HDHP deductible so the FSA will be bypassed in this circumstance. To make your FSA work with HSA requirements, your employer should provide a special FSA plan for you instead of a general purpose FSA. A limited purpose FSA is a special FSA that can’t be used for medical expenses but can be used for vision and dental expenses. A post-deductible FSA can pay vision and dental expenses immediately and can also pay medical expenses once the deductible has been satisfied. If the FSA is limited to vision and dental, it can pay for these claims first. However, keep in mind they’re also eligible expenses under the HSA.

Q: What over-the-counter drugs are HSA eligible?

A: Over-the-counter (OTC) medicines or drugs except insulin (for example, aspirin, cold remedies, or allergy medicines) are not eligible for reimbursement under an HSA (or medical FSA) unless the medicine or drug is “prescribed” (regardless of whether a prescription is required to obtain the item). Other OTC medical items other than medicines or drugs (for example, bandages or contact lens solution) continue to be eligible.
HSA participants need to make sure they maintain documentation including a prescription for their own records should they be audited by the IRS.

Chapter 4

Saving for retirement with your HSA

Your HSA is a smart way to save for retirement. This chapter presents effective strategies to maximize your HSA. It also explains how HSAs work for people enrolled in Medicare.

Chapter 4 | Saving for retirement with your HSA

Section 1

Using your HSA to save for retirement

According to Fidelity Investments, a 65-year-old couple retiring in 2015 will need approximately $220,000 to cover their medical expenses in retirement even with Medicare coverage. If ever there was a strong reason to save for future medical expenses, this is it.

One of the biggest reasons more people don't retire before age 65 is lack of health insurance. The truth is many Americans reach age 65 woefully unprepared for the medical expenses they'll face after they retire. One of the most important long-term reasons for having an HSA is to save money for medical expenses during retirement.

An HSA is one of the best ways to save money for medical expenses during retirement. Only HSAs allow you to make withdrawals tax free to pay for eligible medical expenses. You can make withdrawals before and after age 65.

Section 1.1

Strategies to maximize your HSA

If your goal is to maximize your HSA to save for your retirement, here are three key strategies to consider:

Strategy 1: Make the maximum allowed contributions to your HSA at the beginning of each year. Even though you have until April 15 of the following year to make HSA deposits, you can take advantage of the tax-free growth in your account by funding it as soon as possible. The extra interest you earn by contributing to your account on January 1 of each year rather than the next April 15 could be significant over 20 years or more.

Strategy 2: Delay withdrawing money from your HSA as long as possible so it grows. You have the option of paying for your medical expenses out of pocket and leaving your money in the HSA so it grows tax free. Remember, you can withdraw money from your HSA tax free at any time to pay for eligible medical expenses. As long as you save your receipts, you can withdraw money from your account tax free at any future time to reimburse yourself for expenses you incur today.

SelectAccount's *e-Vault* electronic document storage system is a convenient tool that you can use to manage and organize your important health care receipts and documents.

Strategy 3: If you are willing to accept the risks inherent with investment, you may want to place your HSA funds in mutual funds or other investments that offer significant growth potential. See Chapter 7 on page 43 for more about investing your HSA.

Section 1.2

A smart way to save for retirement (Example)

A 45-year-old couple deposits $6,750 a year in their HSA for 20 years. They incur $2,000 a year in eligible medical expenses. They get a six percent return on their investments. If they withdraw the $2,000 from their HSA each year, they'll have a net HSA contribution of $4,750 per year. In 20 years they will have $185,215 in their HSA as they begin their retirement.

An even smarter way to save for retirement

If the same couple delays withdrawing that $2,000 each year, they will have $263,201 in their HSA at age 65. They can then reimburse themselves tax free from their HSA for the $40,000 in medical expenses incurred in the previous 20 years and still have $223,201 in their HSA. That's $78,187 more than if they had withdrawn the money each year as expenses incurred.

Section 1.3

More strategies to grow your HSA

Your HSA makes saving for future health care needs, including retirement, easier than ever. Here are a few ways you can save for the future with an HSA:

- **Take advantage of lower premiums –** Because your HSA health plan premiums are likely lower than a traditional health plan, you may find yourself with extra money. Instead of spending that money, set it aside each month and contribute it to your HSA. You never know when you'll need it.

Chapter 1 | Chapter 2 | Chapter 3 | Chapter 4 | Chapter 5 | Chapter 6 | Chapter 7 | Chapter 8

- **Contribute to your HSA –** By contributing even $100 a month to your HSA you can quickly build a nest egg for health care needs that will help bridge the gap between the contributions your employer may make to your account and your deductible level. Plus, you enjoy triple tax advantages — HSA contributions can be pretax (and you reduce your taxable income), you earn tax-free interest on the money in your HSA and HSA withdrawals for eligible expenses are tax free.
- **Take advantage of your HSA rollover feature –** Money remaining in your HSA at the end of one year rolls over to the next year. Add this to your regular account contributions and you'll have a tidy sum before you know it. Keep in mind, in order to save money, you have to make wise decisions about how you spend your HSA dollars.
- **Invest your HSA dollars –** Your HSA has a built-in investment account that you can activate when your Base Balance exceeds $1,000. Although there is an inherent risk with investing it can be an effective way to grow your money over the long term.

Section 1.4

It's never too late to grow your HSA

Just because you are nearing retirement doesn't mean there isn't time to take advantage of an HSA. Consider the following: If you plan to retire in four years and start contributing $100 a month from your paycheck (pretax), in four years you'll have $4,800 plus earned interest in your HSA. By contributing the maximum amount each year ($3,350 for 2015 and 2016) plus the over-age-55-allowed-extra contribution of $1,000, you'll have over $17,000 in your HSA in only four years. If you have family coverage you can grow your account even more since you can contribute $6,650 in 2015 and $6,750 in 2016.

Section 2

Your HSA and Medicare

When you enroll in Medicare, you can use your HSA to pay Medicare premiums, deductibles, copays and coinsurance under any part of Medicare. If you have retiree health benefits through your former employer, and you are age 65 or older, you can also use your HSA to pay for your share of retiree medical insurance premiums. *Note: you cannot use your HSA funds to pay premiums for a Medicare supplement or "Medigap" plan.*

While Medicare will pay for many health expenses during retirement there are many expenses that Medicare does not cover. Nursing home expenses, unconventional treatments for terminal illness and proactive health screenings are expenses that will not be paid by Medicare but can be paid from your HSA.

Long-term care is assistance with daily living activities such as dressing, bathing and feeding. Long-term care can be paid with HSA funds up to a maximum annual amount.

If you have an HSA at the time you enroll in Medicare, there are a few things you should know:

- Contributions to an existing HSA must be prorated for the year you enroll in Medicare. After that, contribution for the following years are not allowed.
- If you plan to enroll in Medicare coverage part way into the year, your HSA contributions will be prorated based on the number of months you were covered by an HDHP. For instance, if you enroll in Medicare in April, you can contribute only one-fourth of the annual maximum to your HSA.
- You can continue to spend or invest the money in your HSA
- If your spouse is not enrolled in Medicare and has an HSA, he/she can contribute up to the annual family maximum for the year between all accounts. However, you must maintain family coverage under a qualified HDHP.

Section 3

Frequently asked questions

Q: My wife and I turn 65 this year and will sign up for Medicare. Can we still use the money in our HSA?

A: Yes. Although you can't contribute to an HSA after you enroll in Medicare, you can keep the account and use your HSA funds tax free for eligible medical expenses after age 65. You can use HSA dollars for a broad range of medical expenses, including premiums for Medicare Parts A, B and D (prescription drugs), and to pay Medicare Advantage plan premiums. You may also pay qualified long-term care premiums. However, you can't use HSA money tax free to pay Medicare Supplement or "Medigap" premiums. Remember, you will owe taxes on any withdrawals for non-eligible medical expenses.

Q: I am turning 65 in April and will enroll in Medicare at that time. How much can I contribute to my HSA for the year?

A: Once you (as the account holder) are enrolled in Medicare you must pro-rate the contributions for the year that coverage begins. Medicare coverage will begin on the first of the month in which you turn 65. In this case you would take the allowed contribution for the year (including any catch-up contribution) and divide by 12. Since you are eligible to contribute from January to March, multiply the monthly amount by three to get your maximum allowed contribution amount.

Q: Must this contribution be made prior to my 65th birthday?

A: No. Contributions can be made until your tax filing deadline, typically April 15.

Q: I am married, covered by a family HDHP with an HSA. My spouse is enrolled in Medicare but also covered under the family HDHP. Can I still contribute to the HSA?

A: Yes. Being eligible to contribute to the HSA is determined by the status of the HSA account holder, not the dependents of the account holder. Your spouse on Medicare does not disqualify you from making contributions to your HSA, even though your spouse is covered by your HDHP.

Q: I am enrolled in Medicare and have money remaining in my HSA. What happens to these funds?

A: HSA funds can continue to be spent on a tax-free basis for eligible medical expenses for you and your tax dependents. If you, as the account holder, are over age 65 and the money is withdrawn for other than medical expenses, it is subject to income tax, but no other penalties apply.

Chapter 5

Managing your HSA when life changes

What happens to your HSA when you encounter life changes like losing your job, divorce and even death? This chapter explores what happens to your HSA when these events occur.

Chapter 5 | Managing your HSA when life changes

Sometimes our lives take an unexpected turn. When that happens, you can take comfort knowing that your HSA was designed with your security and best interests in mind. That's true whether you encounter a job change or termination, a divorce or your family status changes.

Section 1

Changing jobs

Acquiring or maintaining health insurance coverage can be a major concern when changing or losing a job. That's a good reason to contribute to your HSA now. Here are a few other things to know when your employment situation changes.

- **If you find yourself no longer covered by an HDHP**, you can continue to use your HSA funds to pay for eligible medical expenses. However, you can no longer make HSA contributions for any month during which you were not covered under an HDHP.
- **If you need to use your HSA for non-eligible expenses,** you will need to add those dollars to your gross income for tax purposes.
- **If you are receiving unemployment benefits**, your health insurance premiums are eligible medical expenses. (Refer to the online list of eligible medical expenses in Chapter 3, Section 3.1. on page 27)
- **If you keep the HDHP** (for example, if you continue medical coverage through your former employer through COBRA), you can still make contributions to your HSA. *Note: If you choose COBRA coverage, you can remain in the employer group at SelectAccount while under that employer's plan.*
- **If you change jobs and have access to health coverage through your new employer**, check to see if you can enroll in an HDHP that is HSA-qualified. If you do not have an HSA option or you enroll in another plan option, you will not be able to contribute to your HSA. However, you can still use your HSA to be reimbursed for eligible medical expenses.
- **If you have your HSA with SelectAccount and are no longer with the employer that offered the HSA plan**, SelectAccount will transfer your HSA to an individual HSA. Call SelectAccount to initiate this transfer.

  Note: You can then choose which SelectAccount HSA product you prefer and whether you want an HSA debit card. SelectAccount offers five HSA options with different interest rates and fees.
- **If your new employer offers an HSA-qualified plan and contributes employer dollars to the HSA**, you may want to move your HSA to the administrator they use.

Section 1.1

Pro-rated contributions

If, for whatever reason, you are enrolled in an HSA-qualified HDHP for a partial year, the maximum HSA contribution for that year must be in proportion to the number of months you were covered by the HDHP. (See examples below.)
Note: If you have qualified HDHP coverage on December 1 and maintain qualified HDHP coverage through December of the following year, you have the option to make up to a full year's contribution instead of pro-rated contributions.

Section 1.2

Calculating pro-rated maximum contributions

- Bob is younger than age 55. He was covered by an individual HDHP for six months before losing his coverage. What's the maximum amount he can contribute to his HSA that year? In 2016, the maximum contribution for individual coverage is \$3,350. Because Bob was covered by a HDHP for six months (half) of the year, he can contribute half of the maximum amount allowed of \$1,675. *(\$3,350 ÷ 12 months x 6 months = \$1,675.)*
- Lynn, age 58, was covered by a family HDHP for five full months of the calendar year. In 2016, the maximum contribution for family coverage is \$6,750, plus an annual catch-up contribution of \$1,000 for each spouse over age 55. Because Lynn was covered for five months, she can contribute 5/12 of \$7,750 or \$3,229 *(\$7,750 ÷ 12 months x 5 months = \$3,229)*.

Section 2

Transferring an HSA in a divorce

Transferring of all or part of your HSA to a spouse or former spouse in a divorce as required by a divorce decree is not a taxable transfer. A former spouse may avoid paying taxes on the account if it is maintained as a qualified HSA.

Section 3

Tax treatment of an HSA after death of an account holder

The tax treatment of an HSA after the death of the account holder depends on who is named as beneficiary of the HSA. If the deceased account holder's beneficiary is a spouse, the HSA is treated as the surviving spouse's HSA. Withdrawals to the surviving spouse for eligible expenses are tax free. If a non-spouse beneficiary is named, the HSA ceases to be an HSA as of the date of death. In this case, the value of the HSA is taxable to the beneficiary or to the estate of the account holder if a beneficiary is not named. The non-spouse beneficiary includes the balance of the HSA in his or her income for the year of the account holder's death. Note: This rule also applies if the account holder names the estate or fails to name a beneficiary.

Section 4

Frequently asked questions

Q: If my spouse has a family HDHP with an HSA, and I lose coverage under my individual HDHP, can I still contribute to my HSA?

A: Yes, if your spouse has a family HDHP, you can continue to make contributions to your own HSA.

Q: Can I roll my HSA into my spouse's HSA?

A: No. If your spouse has a family HDHP, you cannot roll your HSA into his or her HSA.

Q: What if I am no longer covered by an HDHP or I terminate group coverage through my employer?

A: If you change health plans to a non-HDHP, you may still continue to use your HSA for eligible medical expenses, but you cannot make contributions for any month you were not covered by an HDHP. Your maximum allowed HSA contribution will then be pro-rated based on the number of months you were covered by an HDHP.

Q: What if I need to use my HSA for non-eligible expenses?

A: If you use your HSA for expenses that are not eligible medical expenses, you must report the amount of the withdrawal as gross income for tax purposes. You will incur an additional 20 percent penalty tax for those HSA funds withdrawn.

Q: I changed jobs and have an HRA from my former employer that has a spend-down feature. What is that and how does it affect my new HSA?

A: The spend-down feature lets you continue to use the money in the HRA from your previous employer, but your employer cannot make new contributions to the HRA. You cannot open or contribute to your new HSA until the HRA dollars are spent and the current plan year for the HRA is over. You can enroll in the new HDHP, but not set up the HSA until that time.

Q: What happens to an HSA if the account holder dies?

A: As an account holder, you may designate a beneficiary when you open your HSA. You may change your beneficiary online or in writing at any time.

- If a spouse is the designated beneficiary of an HSA, the account is treated as the spouse's HSA after the death.
- If the spouse is not the designated beneficiary of the HSA on the date of death: 1) the account stops being an HSA, and 2) the fair market value of the HSA becomes taxable to the beneficiary.
- If there is no beneficiary, the fair market value of the HSA will be included in the account holder's final estate tax return.

Chapter 6

HSAs and your taxes

This chapter covers such things as reporting HSA income on your tax return, important forms to submit and how individual HSA contributions are treated on your tax return.

Chapter 6 | HSAs and your taxes

When being reimbursed from your HSA for eligible medical expenses, you do not pay tax on the withdrawal. You must pay income taxes plus an additional tax of 20 percent on any HSA amount used for non-eligible medical expenses, unless you're disabled, age 65 or older or die during the year. If you become disabled or reach age 65, withdrawals can be made for non-medical reasons without penalty, but amounts must be reported as taxable income. If withdrawals for the year are less than or equal to the eligible medical expenses that were paid, there are no tax requirements on those withdrawals.

Section 1

Reporting HSA income on your tax return

You will receive the following IRS forms from SelectAccount:

- Form 1099-SA mailed from SelectAccount reports any withdrawals made in a tax year by January 31 each year.
- Form 5498-SA mailed from SelectAccount by May 31 each year reports contributions made for a specific tax year.

You are responsible for keeping records to support withdrawals and to complete Form 8889 and attach it to Form 1040.

In addition to the required government forms (Form 5498-SA and Form 1099-SA), there are several reports SelectAccount provides to assist you with your tax obligations:

- **Verification Form –** You'll receive a confirmation packet when SelectAccount processes your HSA application. It provides information on how to receive reimbursements and make deposits.
- **Annual Statement –** You'll receive a statement following the end of the calendar year verifying the contributions received, withdrawals made and account balance. You can view the status of your account anytime at **www.SelectAccount.com**.
- **Explanation of Payment –** This statement details the results of all withdrawals (payments) and also includes information about your HSA balance. This statement is available when you sign into your account at **www.SelectAccount.com**. In rare situations, you may receive a paper version of this statement.

Health savings accounts offer deductions on federal income tax for any deposits made to the account. Most states also offer the same deductions on state income taxes. However, since HSAs were set up as a federal program, the individual states can choose to comply with the federal guidelines concerning tax treatment of HSAs, or establish their own rules. At the time this guide was prepared, the states of Alabama, California, and New Jersey did not allow an HSA tax credit for state income taxes. New Hampshire and Tennessee tax HSA earnings (interest and dividends). Be sure to check with your tax advisor to determine your state's current status and guidance in preparing your tax returns.

Section 2

IRS reporting requirements

- The IRS states that HSA contributions and withdrawals are reportable transactions. Tax deductions are generally available either to the eligible individual and/or the employer. Withdrawals from HSAs for eligible medical expenses will avoid income tax consequences to the HSA holder. That's why the IRS requires these withdrawals to be reported. To make reporting withdrawals easier, the IRS offers forms to be used by the parties involved.
- Regardless of whether HSA contributions are made by you or your employer, the contributions must be reported on your tax return. Contributions to and withdrawals from HSAs are reported by the account holder on Form 8889.
- The employer is required to report employer HSA contributions to the IRS on the tax return that is filed by the employer. Employer HSA contributions, including employee pretax contributions through a cafeteria plan, are also reported on the W-2 (Box 12, code W) for each employee.

HSA information in this guide is not intended as legal or tax advice. HSAs are authorized by federal legislation.

State and/or federal laws could be passed in the future that affect the tax benefits of an HSA. Tax benefits may also be affected by failure to comply with eligibility and withdrawal requirements. Refer specific questions about federal and state tax ramifications, as they relate to a particular circumstance, to your tax advisor each year.

Section 3

How individual HSA contributions are treated on your tax return

Contributions made by an eligible individual to an HSA are deductible in computing your federal adjusted gross income. The contributions are deductible whether or not you itemize deductions. A self-employed person's HSA contributions are subject to SECA taxes (the Social Security taxes applicable to the self-employed).

Contributions made by an employer or employee through a cafeteria plan are excluded from federal gross income, are not subject to withholding for federal income tax and are not subject to other employment taxes (for example, Social Security tax). Even though not taxable to the employee, employers are required to report the amount of the HSA contribution on the employee's W-2. An employee who elects to make HSA contributions under a cafeteria plan may start or stop the election or increase or decrease the amount at any time as long as the change is effective prospectively (that is, after the request for the change is received). Additional rules regarding tax treatment of your HSA dollars include:

- **Tax treatment of earnings on amounts in an HSA –** Earnings on amounts contributed to an HSA are generally not taxable to the HSA holder. At the time this guide was prepared, New Hampshire and Tennessee tax HSA earnings (interest and dividends), but not eligible contributions.
- **Withdrawals from an HSA –** There is no restriction on when and how often you may request withdrawals from the HSA. When you or your dependents incur an eligible medical expense, a withdrawal from the HSA may be made to reimburse you for the expense.
- **Non-eligible withdrawals –** Withdrawals that are not for eligible medical expenses are always included in your gross income. In addition, such withdrawals are generally subject to an additional 20 percent penalty, unless the withdrawal is made after death, disability or reaching age 65.

HSA legislation and tax advantages are based on federal law. Almost all states with a state income tax follow the federal tax treatment. At the time this guide was prepared, only Alabama, California and New Jersey were believed to include HSA contributions in gross income for state income taxes. SelectAccount does not provide tax advice. You should rely on your own tax professional for more information on your state's tax requirements and your tax preparation.

Section 4

Frequently asked questions

Q: Can withdrawn excess contributions be claimed as a deduction on Form 1040?

A: No. When withdrawing excess contributions, you must inform SelectAccount that the withdrawal is for that purpose. SelectAccount will compute the earnings on the excess contributions for you. The total withdrawal will include the earnings portion.
If contributions are made with pretax dollars, then both the withdrawal and earnings are included in your taxable income. The withdrawal for excess contributions and the earnings will be reported to the account holder on IRS Form 1099-SA.

Chapter 7

Investing your HSA

This chapter introduces you to investment strategies and options that can help you grow your HSA — from minimum balances and basic investment accounts, to self-directed mutual fund options and asset classes.

Chapter 7 | Investing your HSA

You can invest a portion of your HSA in a variety of investment options. To take advantage of these investment opportunities, you need to select one of the investment account options within your HSA as your balance grows. If you don't want to assume the risk of loss that comes with investing in the market, you can choose to leave your entire HSA balance (your base balance) at SelectAccount where it may earn interest at rate(s) established by SelectAccount.

Section 1

Investment strategies and options

HSA investment options are through an arrangement between SelectAccount (your HSA administrator) and the Charles Schwab Trust Company (the sub-custodian for the investment accounts). As one of the most recognized names in the investment industry, the Schwab platform gives you access to mutual funds from various fund families, as well as planning tools to help you manage and analyze your investments.

Section 1.1

When your HSA Base Balance reaches $1,000

When your HSA Base Balance reaches $1,000, you can activate your self-directed Basic Investment Account with the Charles Schwab Trust Company as the investment custodian. This account, as part of the HSA, gives you access to a variety of mutual funds from the Schwab's Mutual Fund OneSource Service. The mutual funds available under this option are selected by Devenir LLC, a registered investment advisor. There is an additional monthly fee for an investment account.

You can open a Basic Investment Account at **www.SelectAccount.com**. Generally, you will be able to access your investment account online within two to three business days after you open it. You can then obtain mutual fund prospectuses, select the mutual funds in which you wish to invest, determine how much to invest and allocate future contributions.

Section 1.2

When your Basic Investment Account balance exceeds $10,000

When your Basic Investment Account balance exceeds $10,000, you can activate a Self-Directed Brokerage Investment Account with Charles Schwab. This account, also a part of your HSA, gives you access to more than 2,500 mutual funds from a variety of fund families, as well as stocks, bonds and other investments. There is a monthly fee for a brokerage investment account.

Section 1.3

Investment accounts are self-directed and self-managed

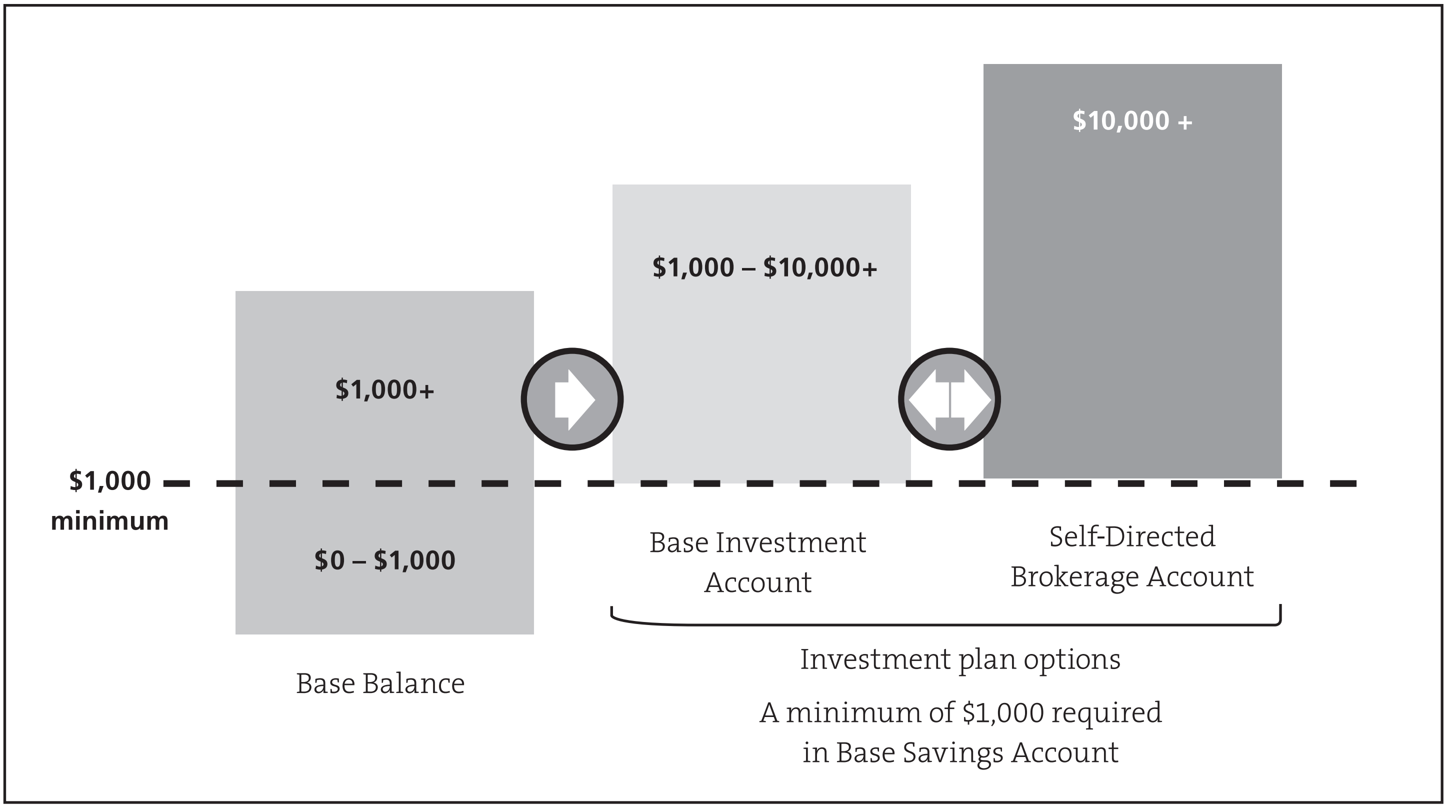
Investment accounts are self-directed and self-managed. This means you decide whether and when to invest, select the mutual funds or other investments (available through the Brokerage Investment Account option) in which you want to invest, and decide how much to invest. If you need help with this process, you have access to online resources and tools through the Schwab site accessible from your HSA account at **www.SelectAccount.com**.

The website also provides access to Financial Tools, a group of research and planning tools. If you do not have access to the Internet, you can request a paper form to activate and access your HSA investment account by calling **1-800-859-2144**.

Chapter 1 | Chapter 2 | Chapter 3 | Chapter 4 | Chapter 5 | Chapter 6 | Chapter 7 | Chapter 8

Section 1.4

Investment account options based on balance



Monthly fees based on account type

Account type	Your available funds	Monthly account service fees*
Base Balance	Funds in the Base Balance earn interest at rates set by SelectAccount. Account holder may leave all funds in the base account.	Annual fees vary
Basic Investment Account	When your Base Balance exceeds $1,000, you have the option to invest the amount over this threshold in a variety of pre-selected mutual funds.	An additional $1.50 per month; this fee is paid out of the Basic Investment Account
Self-Directed Brokerage Investment Account	When your Basic Investment Account exceeds $10,000, you have the option to invest the amount over this threshold in a wider range of mutual funds as well as stocks, bonds and other investments.	An additional $1.50 per month standard transaction fees are paid out of the Self-Directed Brokerage Investment Account.

*These fees are in addition to any HSA account administrative fees that SelectAccount may charge.

Section 1.5

Investment asset class descriptions

Investment asset class	Description
Large Cap Value	Companies having a market capitalization of between $10 billion and $200 billion and companies that are considered cheap relative to other stocks by valuation measurements, such as price-to-earnings and price-to-book value ratios.
Large Cap Income	Companies having a market capitalization of between $10 billion and $200 billion that pay dividends and provide a steady stream of income. This typically includes well-established companies such as utilities and financial services firms.
Large Cap Growth and Income	Companies that have a market capitalization of between $10 billion and $200 billion whose sales and profits are expected to grow; that pay dividends and provide a steady stream of income. This typically includes well-established companies such as utilities and financial services firms.
Large Cap Growth	Companies having a market capitalization of between $10 billion and $200 billion, or whose sales and profits are expected to grow.
Mid Cap	Companies with a market capitalization of between $2 billion and $10 billion or whose sales and profits are expected to grow.
Small Cap	Companies with a market capitalization of between $300 million and $2 billion. Small cap funds invest in companies primarily in the securities of small and medium-sized companies. The risks associated with investments in small companies include less experienced management, limited product lines and financial resources, shorter operating histories, less publicly available information, reduced liquidity and increased price volatility.
International	These types of funds invest in companies and debt instruments throughout the world. Investing in these securities involves considerations and potential risks not typically associated with investments in domestic corporations and obligations issued by the U.S. government. These risks include risks associated with changes in currency values, economic, political and social unrest, the regulatory environment of the countries where the fund invests, as well as difficulties in receiving current and accurate information.
Index Fund	An index fund mirrors the holdings of a broad based market index such as the S&P 500. The goal of an index fund is to match the returns of the index.
Fixed Income	Fixed income funds generally invest in bonds and other debt instruments which pay a steady stream of income.
Lifestyle Funds	Lifestyle Funds are funds whose asset mix is determined according to the level of risk and return that is appropriate for an investor's current life situation. Lifestyle funds may be conservative, moderate or aggressive.
Money Market	Money market funds invest in debt instruments with maturities of one year or less and are considered very liquid.

Section 2

Investment account fees and reporting requirements

When you choose to invest your HSA dollars, you will pay fees on your HSA base balance, your Basic Investment Account and your Self-Directed Brokerage Investment Account. Here are some details on these fees:

- You'll pay a monthly investment account service fee of $1.50 to SelectAccount. This fee is deducted monthly from your Basic Investment Account and is only deducted when the Basic Investment Account has a balance.
- People who have the HSA Thrift Saver with a Self-Directed Brokerage Investment Account, which can be opened once your Basic Investment Account balance exceeds $10,000, will be charged $1.50 per month for the brokerage account. Its recommended to roll your basic investment account funds into the brokerage account to avoid investment account fee.
- Schwab's standard brokerage commission schedule applies to transactions in the Self-Directed Brokerage Investment Account. Applicable commissions and execution fees will also be deducted from your Self-Directed Brokerage Investment Account balance. Account holders with a Self-Directed Brokerage Investment Account will pay standard transaction fees for trades they make through their Self-Directed Brokerage Investment Account. *In addition, short-term redemption fees may apply for fund units that are sold within the time frame listed in the fund's prospectus. Refer to a fund's prospectus to learn if redemption fees apply.*

Section 2.1

Mutual fund fees and charges

In addition to the monthly investment account service fees for the HSA investment options, read the fund's prospectus carefully before investing. It contains complete information about the fund, including management fees, charges and expenses. To get links to prospectuses go to **www.SelectAccount.com** home page and click on Products/HSA/Hold it works tab and "Investments." Select the fund prospectus by clicking on the link to our preselected mutual funds. Mutual funds purchased from Charles Schwab & Co. Inc. through the Basic Investment Account options available under your HSA will be purchased without an initial sales charge. **Some mutual funds may impose redemption fees of up to two percent of the redemption proceeds to discourage short-term trading.** If a redemption fee is charged, it is paid to the fund and is intended to offset portfolio transaction costs, market impact and other costs associated with short-term trading.

The mutual funds available through Schwab's Mutual Fund OneSource Service may charge 12b-1 fees as disclosed in the fund's prospectus. A 12b-1 fee is a fee that a mutual fund company pays to others out of fund assets to cover administrative services, including record keeping and shareholder services, and to compensate persons who distribute the fund's shares. Charles Schwab & Co. Inc. receives payments from the mutual fund companies participating in Schwab's Mutual Fund OneSource Service for record keeping and shareholder services and other administrative services. Schwab also may receive payments from transaction fee fund companies for certain administrative services. Schwab may make certain plan expense payments to the record keeper for the investment accounts for administrative and record keeping services it provides. In addition, these plan expense payments may also be used to offset investment account expenses for custodial and investment advisory services. Without these plan expense payments from Schwab, the monthly investment account service fees described above could be higher. Devenir, as investment advisor to the HSA, may consider the availability of these plan expense payments when it selects mutual funds for the Basic Investment Account. None of the monthly investment account service fees, plan expense payments or the investment account transfer fee, if applicable, is paid to SelectAccount.

Information provided by Devenir, LLC.

Devenir Investment Advisors LLC is a registered investment advisor that was chosen by SelectAccount to research and select the HSA mutual fund investment options. Devenir's investment selection methodology screens the plan's mutual fund options on a number of criteria, which includes, but is not limited to, total fund performance, category ranking by Morningstar and track record. Devenir will periodically review and may recommend changes in the group of mutual funds available in the Basic Investment Account if a particular fund no longer meets Devenir's investment selection criteria. You will not be given separate notice of these changes; however, if you access your Basic Investment Account at **www.SelectAccount.com**, you can find a list of the current group of mutual funds and find access to the fund prospectuses. Any change in the group of mutual funds will not affect amounts you have previously invested, and you may continue to invest in funds that are no longer part of the group.

The HSA investment account mutual fund selections represent a variety of asset classes. This allows you to choose how you want to allocate your assets. Historically, no one asset class outperforms any other. By diversifying your investments among various asset classes you have the potential for minimizing risk and maximizing returns in your account, but there is no guarantee. Diversification and asset allocation do not protect your account from market fluctuations and do not guarantee a gain or protect against a loss of principal in your account.

To determine your asset allocation you should consider factors such as your risk tolerance, investment objectives and time horizon for these assets. When considering your time horizon for any investment you choose to make in your HSA, keep in mind the role you expect your HSA to play in meeting your future health care needs and that you may need to liquidate investments to fund a withdrawal from your HSA. How do you determine an asset allocation that's right for you? Through the HSA investment account, you have access to a number of web-based educational and planning tools to help you make your investment selections. These tools include an easy-to-use asset allocation calculator, prospectuses and research reports. By completing a brief investor profile with the HSA asset allocation calculator, you will receive a custom, suggested portfolio allocation mix that you may wish to consider when you make your investment decisions.

Over time, your risk tolerance, investment objectives or time horizon for these assets may change. The asset allocation you choose today may not be appropriate in the future. It's a good idea to re-evaluate these factors and rebalance your portfolio as necessary.

For questions about your investment account, call SelectAccount toll free at **1-800-859-2144** between 7 a.m. and 8 p.m. Central Time, Monday through Friday. For questions or advice about the stability of investment options, please consult your financial advisor or accountant.

You can find the HSA asset allocation calculator on the SelectAccount website at www.SelectAccount.com/products/hsa/resources or by logging into your account and accessing the "Planning Tools" tab on the investment website.

Section 2.2

HSA investment options disclosures

Devenir does not intend to provide personalized investment advice to participants of this self-directed HSA program. Information provided for the investment options herein are for informational purposes only and should not be mistaken as a recommendation from Devenir or its representatives. Devenir reserves the right to change investment options at any time. Information about asset classifications for investment options have been provided by Morningstar or the fund prospectus and the asset classifications are subject to change over time. Past performance is no guarantee of future results. Before you make any investment, you should carefully review the fund's prospectus and consider its objectives, associated risks and any fees or expenses that may apply. Investing entails the risk of loss of principal.

The record keeper for the investment accounts may receive certain plan expense payments from Charles Schwab & Co. Inc. for administrative and record keeping services provided to the HSA investment accounts. The plan expense payments may also be used to offset custodial fees charged by the Schwab Trust Company and investment advisory fees charged by Devenir for services provided to the investment accounts. These payments may be based on the market value of the fund or the number of participants that invest in it. The record keeper expects to receive the plan expense payments from Schwab with respect to these funds.

OneSource is a registered mark of Charles Schwab and Co. Inc. Morningstar is a registered mark of Morningstar, Inc. SelectAccount and Devenir are unaffiliated companies. SelectAccount and Devenir are not affiliated with The Charles Schwab Trust Company or its affiliated broker dealer, Charles Schwab & Co. Inc., member SIPC/NYSE.

Section 3

Frequently asked questions

Q: What are my HSA investment options?

A: In general, you can invest your HSA dollars the same way you would an IRA. However, you cannot use the account to invest in life insurance policies, collectibles (such as artwork) or other intangibles as defined by the IRS.

Q: Are self-directed investment accounts part of my HSA?

A: Yes. While the Basic Investment Account and the Brokerage Investment Account are held in the custody of the Charles Schwab Trust Company, they are part of your SelectAccount HSA. SelectAccount does not pay interest on the investment accounts.

Q: How can I direct future contributions to go into my Basic Investment Account?

A: You can direct future HSA contributions to mutual fund investments at **www.SelectAccount.com**. You'll find various options to control or manage the flow of contributions to the mutual fund(s) you select. Generally, you may elect to have all or a portion of your future contributions flow directly into the investments you have selected in your investment account. There is one restriction: If your Base Balance falls below $1,000 due to HSA withdrawals for health care claims, then your future contributions will first be used to build your Base Balance back to $1,000, with the remainder invested per your instructions.

Q: How do I request a withdrawal when I have an active investment account?

A: Account withdrawals are always paid from your Base Balance. If there are not enough funds in your Base Balance to pay a claim, the claim will be pended for 12 months or until more funds are available in your Base Balance. These funds can come from either new contributions or from transferring funds from your investment account to your Base Balance. Transferring funds from the self-directed investment account or the Basic Investment Account to the Base Balance is not automatic. You must manually request such a transfer. Withdrawals will be taken pro-rata from the mutual funds you have invested if you have selected the pro-rata transfer option (the only option for the basic investment account). Otherwise, Schwab brokerage accounts must have the money moved to cash to transfer to a self-directed account. You will need to select the fund(s) and amount(s) you wish to sell to fund your withdrawal.

Chapter 8

Getting help with your HSA

You have several options for getting help if you can't find information and answers in these pages. This chapter looks at the many resources available to you as an HSA member and includes a glossary of terms.

Chapter 8 | Getting help with your HSA

Section 1

Helpful websites

Online Member Service Center – www.SelectAccount.com, your 24/7 online resource to help you manage your account(s).

How to register –

1. Visit www.SelectAccount.com.
2. On the top right of the screen, select "Sign In" and "Member".
3. Click on "register" near the bottom of the screen.
4. Enter your name, birth date, e-mail address, SelectAccount ID number, last four digits of your Social Security Number, and zip code.

Other websites containing helpful answers, rules and forms are at:

irs.gov Internal Revenue Service

medicare.gov Medicare

Section 2

Important phone numbers

SelectAccount customer service
(651) 662-5065
1-800-859-2144
Fax (651) 662-7247
7 a.m. to 8 p.m. Central Time

Medicare
1-800-MEDICARE
1-800-633-4227
TTY line 1-877-485-2048

Dedicated customer service – Call SelectAccount customer service at the number above with questions about your HSA or your HSA investment accounts.

Automated telephone self-service – You also have the option of getting basic account information through our new interactive phone system when you call SelectAcount customer service. This gives you access to information like your account balance, recent contributions and withdrawals, claims status, investment account balances and more.

Section 3

Glossary of terms

Limited purpose FSA or HRA – Limited to expenses for permitted benefits. These benefits include vision, dental or preventive care benefits.

Post-deductible health FSA – Provides reimbursement for all Section 213(d) expenses only after the HDHP deductible has been satisfied. Typically, expenses like vision, dental and preventive care are payable out of the post-deductible FSA during the deductible phase.

Suspended HRA – Refers to instances where the employee has chosen to discontinue reimbursements from the HRA except for preventive care and permitted benefits during the time period in which the employee is making contributions to an HSA. An employer may still "contribute" to a suspended HRA. Claims incurred during the time that the HRA was suspended cannot be paid at a later date when the HRA is no longer suspended, except claims for preventive care and permitted benefits.

Claim – Information from a health care provider or member that says services were provided.

COBRA – Short for Consolidated Omnibus Budget Reconciliation Act, a federal law under which employers with 20 or more employees must offer continuation of health care coverage to employees (and their dependents) when an employee leaves their job. The employee must pay the entire premium for coverage. Coverage can be extended for up to 18 months.

Coinsurance – The percent of covered health care costs that you pay after the plan deductible is met (not all plans have coinsurance).

Crossover – Automatic transfer of claims information from your health plan to SelectAccount so you can be quickly reimbursed from your HSA for eligible expenses.

Deductible – Amount you pay for health care services each year before your health plan pays. You can use money from your HSA during your plan deductible.

Explanation of Payment (EOP) – Your EOP is available online at www.SelectAccount.com, explaining how a claim was processed. It may include provider, amount claimed, and payment made. In some situations, it may be mailed to the address on file.

Flexible spending account (FSA) – An account to set aside pre-tax dollars that you think you'll spend for medical or dependent care expenses during the year. This can result in significant tax savings.

Grace period – A grace period gives you up to 75 additional days to incur expenses. A "run-out period" gives you more time to submit claims for reimbursement. This feature can be chosen by an employer for a company-sponsored FSA.

Health reimbursement arrangement (HRA) – An employer-guaranteed amount of money that you can use to pay some of your health care expenses.

Health savings account (HSA) – A tax-advantaged account that lets you pay current health care expenses or save for future expenses. You must be covered by a high-deductible health plan (HDHP) and not be covered under any other health plan. HSA contributions can be made by you, your employer or both.

High-deductible health plan (HDHP) – A plan that works with a health savings account.

Out-of-pocket maximum – The most you can pay for covered health care services in a year (a worst-case scenario).

Premium – The amount paid each month for your health care coverage. Often, you pay a portion of the total, which is deducted from your paycheck and your employer pays the rest.

Provider – A doctor, clinic or hospital. It can also mean other care facilities or professionals, such as physician assistants, chiropractors, psychologists and many others.

Roth IRA – Not a traditional IRA, but a special type of IRA that pays all taxes up front.

SECA – Self Employed Contributions Act – The business owner's version of the FICA tax that employees pay. Like FICA, it is made up of your "contributions" to both the Social Security and Medicare programs. However, the basic tax rate for the self-employed under SECA is 15.30 percent — twice the 7.65 percent rate that employees must pay on their paychecks as FICA tax — to reflect the fact that employees pay one-half the FICA tax and employers pay the other half.

SEP IRA – A special type of IRA used as a Simplified Employee Pension Individual Retirement Account

SIMPLE IRA – Not a traditional IRA, but a special type of employer provided IRA called Savings Incentive Match Plan for Employees

Traditional IRA – A tax-deferred retirement account in which individuals can make deductible contributions that are subject to tax only upon withdrawal.

USERRA – Acronym for Uniformed Services Employment and Reemployment Rights Act. Established in 1994 to protect people who voluntarily or involuntarily leave their civilian jobs to perform military duties. USERRA requires that employers allow such individuals and their dependents to remain covered by the company-sponsored health plan for up to 24 months, if they choose. If the individual decides not to continue coverage, they can be reinstated in the plan without any waiting periods or exclusions when they return to their civilian job.

MII Life Inc, d.b.a. Select Account © SelectAccount 2014
F8188R15 (08/15)

Blue Cross and Blue Shield of Kansas is an independent licensee of the Blue Cross Blue Shield Association. BLUE CROSS®, BLUE SHIELD® and the Cross and Shield Symbols are registered service marks of the Blue Cross Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans. SelectAccount provides account administration services for HRA, HSA and FSA plans and is not affiliated with Blue Cross and Blue Shield of Kansas.