

Health Savings Accounts

What is a Health Savings Account?

For more than 70% of Americans, doctor costs do not exceed \$500 per year. A Health Savings Account (HSA) is an alternative to traditional health insurance that offers the opportunity of paying for medical services with pre-tax dollars. In addition to paying for current medical care, an HSA enables you to save for future qualified medical and retiree health care expenses on a tax-free basis.

An HSA is a tax exempt or custodial account that can be used to cover qualified medical expenses that otherwise would not be covered by insurance. The expenses that are eligible for reimbursement from an HSA are determined by Section 213 of the IRS Code and include such things as charges that are applied to deductible, coinsurance amounts or certain services not covered by your health plan. The account can be allowed to grow from year-to-year and the funds can be invested for additional growth based on the capabilities of the financial institution holding the account.

Why Should I Participate in a Health Savings Account?

A Health Savings Account is an employee funded account. The tax advantages are one of the primary reasons to participate in an HSA. The amount of the contribution will be excluded from your gross income, saving you tax dollars. Additionally, the interest or other earnings on the assets in the account are tax free. Disbursements from an HSA are not taxable if used for qualifying expenses.

Traditional insurance plans end when you retire or leave employment. An HSA is owned by the account holder and remains with the account holder even when employment ends. As the account owner, you determine how and when the funds are used. Funds can remain in the account to grow with interest and can also be invested for added growth.

Are There Requirements to Qualify for a Health Savings Account?

IRS requirements state that you must be enrolled in a high deductible health plan in order to have an HSA. For 2010, a high deductible health plan is one that has a deductible of at least \$1,200 for individuals and a minimum of \$2,400 for families. All benefits covered by the plan must be subject to the deductible; however the plan may cover preventative services before the deductible is satisfied. You cannot be covered by any other plan that offers reimbursement of the same services as the high deductible health plan, such as a Flexible Spending Account. There are limited-purpose Flexible Spending Accounts that cover dental, vision and preventative care that would not disqualify you for an HSA. If you are enrolled or eligible for Medicare you do not qualify for an HSA.

How Much Can Be Contributed to My HSA?

The IRS also establishes the maximum contribution limits and indexes those amounts annually. The maximum for 2010 is the lesser of the amount of your health plan deductible or \$3,050 for an individual and \$6,150 for a family. A catch-up provision has been implemented by the IRS that allows anyone age 55 or older to contribute an additional \$1,000.

How Does a Health Savings Account Work?

Contributions can be deducted pre-tax and transferred directly to your HSA. You can withdraw on the available balance as qualified medical expenses are incurred by yourself or eligible dependents. It is advisable to save bills and receipts in the event you are asked to document disbursements from the account. If money is withdrawn for an expense that doesn't meet IRS requirements, you will be subject to the normal payroll taxes plus a 10% penalty on those amounts. The amount of the contributions will be included on your W2 form and you will need to report any distributions on a form 8889 with your income tax filing. It is advised that you check with your tax consultant regarding any requirements.

Health Savings Account

Do my HSA contributions have to be made in equal amounts each month?

You can contribute in a lump sum or in any amounts or frequency. However, your account trustee or custodian (bank, credit union, insurer, etc.) can impose minimum deposit and balance requirements. Also, you can change your contribution amount at any time.

Can I still have a Flexible Spending Account?

If you have been utilizing a Flexible Spending Account the use of the account will change with the addition of an HSA. A Flexible Spending Account (FSA) is a pre-tax benefit allowed under Internal Revenue Code Section 125 that offers employees the opportunity to set aside pre-tax dollars to use for non-reimbursed medical, dental, vision and dependent care expenses. Flexible Spending Accounts offer a means of saving tax dollars while enjoying the benefit of being reimbursed for otherwise non-covered expenses.

Individuals participating in a Health Savings Account can utilize a limited Flexible Spending Account that covers dependent care, dental services and vision expenses that are not covered by your health plan. For those who do not participate in a Health Savings Account, a full FSA is available that can reimburse medical expenses such as charges applied to deductible, coinsurance, co-payments and certain non-covered services. These are in addition to dependent care, dental and vision expenses. You will sign up for this plan via your employer Millis Transfer.

What Can I use my HSA dollars for?

According to the Internal Revenue Service (IRS), HSA's can be used to pay for:

1. Medical expenses covered by the health plan such as doctor visits, prescriptions, procedures, etc.
2. Medical expenses not covered by the health plan such as vision, dental, & over-the-counter medications
3. Health Insurance Premiums under COBRA continuation coverage.
4. Health Insurance premiums while receiving unemployment compensation.
5. Medicare Part A or Part B premiums for individuals enrolled in Medicare.
6. Qualified long term care insurance premiums.
7. Account holder, spouse, and any eligible dependents per the IRS (regardless if they are on the health plan) may use the HSA funds to pay for medical expenses.

The list on the next page gives you more specifics about items that can be paid for from your HSA funds.

Eligible and Ineligible Expenses

Section 213(d) of the Internal Revenue Code determines what services and items qualify for payment under an HSA. The following list provides examples of eligible services. This list is not all inclusive.

Acupuncture	Alcoholism treatment	Ambulance
Artificial limbs	Artificial teeth	Birth control
Blood pressure monitors	Braille books	Car-medical modifications
Chiropractors	Christian Science practitioners	Circumcision
Coinsurance amounts	Contact lenses and solution	Crutches
Deductible amounts	Dental treatment	Dentures
Diabetic supplies	Ear plugs –medically necessary	Eye exams
Eyeglasses –prescription	Fertility/Infertility	Flu shots
Guide dogs	Hearing aids	Home health services
Hospital services	Immunizations	Lab fees
Laser eye surgery	Lead-based paint removal	Learning disability
Massage therapy	Medical alert bracelets	Medicines-prescription
Nursing home	Nursing services	Operations
Orthodontia	Over the counter medicines	Oxygen
Physicals	Physical therapy	Pregnancy tests
Pre-existing conditions	Psychiatric care	Reasonable & customary reductions
Special foods	Sterilization	Smoking cessation
Vaccines	Viagra	Weight loss programs

Any of the items listed above must be for the treatment or prevention of a disease or a disorder to qualify. Expenses that are merely beneficial to one's general health may not be considered eligible. Remember, the above list is not all inclusive.

Some items that would not qualify for reimbursement are:

Cosmetics	Cosmetic procedures	Dance lessons
Diapers	Ear piercing	Electrolysis
Exercise equipment	Funeral expenses	Herbal supplements
Household help	Maternity clothes	Rogaine
Safety glasses	Student health fees	Sunglass clips
Surrogate expenses	Swim lessons	Tanning salons
Teeth whitening	Toothpaste	

Again, this list serves only as an example and is not meant to be all inclusive.

If you have questions about the eligibility of a service or supply, please call 3PAdministrators at 1-888-540-0094. You may also direct questions through the Contact Us option on the website at www.3padmin.com.

Health Savings Account

The following information is designed to assist you in determining an appropriate amount to have deducted from each payroll. Please note that Flexible Spending Accounts have a "use it or lose it" provision so amounts set aside each year must be used within the year.

Calculating Your Pre-tax Deduction:

This worksheet will assist you in estimating expenses for yourself and any covered dependents.

Utilize this portion of the worksheet to estimate a reasonable payroll deduction for your Health Savings Account:

Medical Expenses*	Annual
Deductibles	\$ _____
Co-payments	\$ _____
Coinsurance	\$ _____
Prescription drugs	\$ _____
Over-the-counter drugs	\$ _____
Medical equipment	\$ _____
Routine physicals	\$ _____
Laser eye surgery	\$ _____
Cost of travel to medical care	\$ _____
Other	\$ _____

Utilize this portion of the worksheet to estimate a reasonable payroll deduction for your Limited Flexible Spending Account:

Dental Expenses	Annual
Deductibles	\$ _____
Coinsurance	\$ _____
Fluoride	\$ _____
Braces, retainers, etc	\$ _____
Dentures	\$ _____
Implants	\$ _____
Other	\$ _____

Vision Expenses	Annual
Exams	\$ _____
Eyeglasses	\$ _____
Contacts, solution	\$ _____
Other	\$ _____

Total Estimated Expenses

\$ _____ divided by # of pay periods
=\$ _____ deduction per Pay Period

Medical Plan Reimbursements- Automatic Sweep

If you are enrolled in your employer's health plan, claims can be automatically submitted from the health plan to your HSA (Health Savings Account) with your authorization. The enrollment form includes such authorization. You can add or retract your authorization with a change form that is also available from your employer or online at www.3padmin.com under On-Line services.

Debit Cards

You will receive an HSA debit card that makes it easy to access funds to pay for doctor visits, pay claims, and make point of sale purchases for pharmacy and other qualified medical expenses. The card will be processed like any other credit card transaction. Within 7-10 days of your HSA enrollment effective date you will receive a Health debit card that is activated the first time you use it for medical expenses.

Still have questions?

You will be receiving a Welcome Kit with more information after we process your paper work. If you have questions please call **3PAdministrators at 1-888-540-0094**. You may also direct questions through the Contact Us option on the website at www.3padmin.com.

It's easy to contact us with any questions you may have:

- Visit us on the Web:
www.3padmin.com

- Call us
608-779-3000 or
888-540-0094

- Fax us

608-779-3009 or
877-540-0094

- Email us
info@3padmin.com