



HSA User Guide

For UnitedHealthcare® Members

Owning and Managing Your Health Savings Account



Deposit
Deposit your
health care
dollars.



Grow
Grow your
savings.



Save
Save on
taxes.



Pay
Pay for
health care,
now or later.

OptumHealthBankSM

MEMBER FDIC

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Get to know your HSA

A health savings account (HSA) paired with an eligible high-deductible health plan helps individuals and families plan, save and pay for health care.

This guide is designed to help you understand the nuts and bolts of managing your HSA. You can use it as you need to find answers to questions about HSAs in general and how to manage your account with OptumHealth Bank, Member FDIC. We've also included a new account holder checklist on page 4 and list of tips for maintaining your account on page 22.

If you are a new account holder, you may want to browse this to become familiar with HSAs. Then, file it with your banking information and consult it as needed when you have a question or at important times during the year, such as the benefits enrollment period at your place of work or during tax-filing season.

Here to serve you

OptumHealth Bank is dedicated to helping our customers get the most for their health care dollars. Customer service information is available on our website at **myuhc.com**. Or call us toll free at 1-800-791-9361. Customer service representatives are available to assist you Monday through Friday, 8 a.m. to 7 p.m. Eastern time, or you can use our automated voice response system.

myuhc.com® — one place to manage your health care *and* your HSA

UnitedHealthcare's member website, myuhc.com, is your one stop for:

- Your personal health plan information, claims activity and explanations of your health care benefits
- **Your HSA balance and links to OptumHealth Bank's online banking services**
- What you need to know to get and stay healthy – including links to chat with a nurse












Health care is personal again, with myuhc.com.

Health savings accounts (HSAs) are individual accounts offered by OptumHealth Bank, Member FDIC, and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section **213(d)** of the Internal Revenue Code. This communication is not intended as legal or tax advice. Please contact a competent legal or tax professional for personal advice on eligibility, tax treatment, and restrictions. Federal and state laws and regulations are subject to change.

Hypothetical examples used throughout this guide are for illustrative purposes only. They are presented strictly for educational purposes and do not reflect an actual plan design or personal situation. All events, persons and results described are entirely fictitious, and amounts will vary depending on your unique circumstances. Any resemblance to real persons or events, living or dead, is purely coincidental. Current rates are variable and may change at any time. Please consult your benefits administrator or a tax, legal or financial advisor about your own personal situation.

New account holder checklist

Use this list to make sure you've taken all the first steps to opening and funding your HSA. If you have questions on aspects of managing your account, visit myuhc.com.

-  Open your account.
-  Record your account number and file it in a safe place.
-  Designate a beneficiary for your account. Find the form through myuhc.com.
-  Sign up for [payroll deduction into your HSA](#), if it's available at your place of work.
-  Start saving so you can pay for, or be reimbursed for, qualified medical expenses.
-  Activate your Health Savings Account [Debit MasterCard®](#).
-  Review your account fee schedule and privacy notice.
-  Become familiar with [qualified medical expenses](#).
-  Register online at myuhc.com for online banking.
-  Review how to pay bills online — or order checks if you prefer. Checks are available at an additional charge.
-  [Save all receipts for qualified medical expenses.](#)



HSA basics

An HSA works with your health plan to help you plan, save and pay for health care. This section covers the benefits of HSAs, who's eligible to open and contribute to an account, what high-deductible health plans are and some related health insurance terms.

Benefits of HSAs

HSAs offer triple tax savings: *

- The money you put in is tax deductible, up to a legal limit.
- Your savings grow tax free.
- Any money you take out to pay for qualified medical expenses is income-tax free.

An HSA is like no other savings vehicle now available to taxpayers.

The money in your HSA is always yours — there is no “use it or lose it” rule. All amounts in your HSA belong to you, and unspent balances in accounts remain in your account until spent. Your account is portable, too, meaning your money stays put even if you:

- Change jobs
- Change medical coverage
- Become unemployed
- Move to another state
- Get married or divorced

With an HSA, **you are in charge**. You decide:

- How much you will contribute to your account
- When you want to use your savings to pay for or reimburse yourself for qualified medical expenses
- **What bank will administer your account**
- Whether or not to invest some of your savings in mutual funds for greater potential long-term growth

*State tax treatment of HSAs varies. Go to myuhc.com or consult your state's department of revenue to find out more.

Investments are not FDIC-insured, are not guaranteed by OptumHealth Bank, and may lose value.

Eligibility

To open an HSA, you must meet these criteria:

- You are covered by an HSA-eligible, **high-deductible health plan**. (See page 7 for details.)
- You are not covered by any other health plan (such as a spouse's plan) that is not a high-deductible health plan, unless it is other permissible coverage, such as specific injury insurance or accident, disability, dental, vision or long-term insurance.
- You are not entitled to Medicare benefits.
- You are not enrolled in TRICARE or TRICARE for Life, a military benefits program.
- You have not received Veterans Administration (VA) benefits within the past three months (some exceptions apply).
- You are not eligible to be claimed as a dependent on someone else's tax return.
- You are not covered by a health care flexible spending account (FSA) for the tax year in which you will claim your HSA deposits as tax deductions.

*If your circumstances change and you are no longer eligible to contribute to an HSA, **you can keep the account as long as you like and use it to pay for qualified medical expenses income-tax free.***

Related terms

Here is some information about other health accounts or health plans that relate to HSAs.

Flexible spending account (FSA): This type of account, offered at your employer's discretion, allows you to set aside a fixed amount of pre-tax wages for eligible health care or dependent care expenses. Account holders lose any unused dollars in the account at year-end or at the end of a grace period, if the employer chooses one. Generally, you cannot fund a health care FSA and an HSA in the same plan year.

Limited-purpose FSA: This is an FSA for limited eligible expenses. For example, the FSA may only cover dental and vision expenses. In some circumstances, an HSA could be offered along with this type of FSA. Your employer can provide you with more information if a limited-purpose FSA is part of its benefits program.

Health reimbursement account (HRA): This account allows an employer to reimburse for medical expenses paid by participating employees. HRAs reimburse only those costs (copays, co-insurance, deductibles and services) designated by the employer and not covered by the company's health insurance plan. Generally, HSAs cannot be offered along with HRAs.

Long-term care insurance: This type of policy pays some or all costs of nursing home care for eligible participants. Premiums are based on the age of the applicant. Premium payments stop when the insured meets the qualifications for long-term care, which include medical necessity, cognitive impairment and inability to carry out certain activities of daily living. You can open an HSA if you have long-term insurance, and HSA dollars can be used to help pay for long-term care.

COBRA: This is a federal law that allows an employee who leaves a company to continue to be covered under the company's health plan, for a certain time period, under certain conditions. The employee is responsible for paying the cost of premiums while covered under COBRA. HSA dollars can be used to pay COBRA premiums. And, if the health plan is an eligible high-deductible health plan, the employee may be able to make tax-free contributions into an HSA while covered under COBRA.

High-deductible health plans

In order to open and contribute to an HSA, you must also have what's called a **high-deductible health plan.**

The HSA is designed to work with your health plan to protect you and your family. Here's how a high-deductible plan works:

You are responsible for paying your covered medical expenses up to the deductible(s) stated in your health plan.

Your deductible is the maximum amount that you must pay toward your health care before benefits are paid by your plan. Most plans will have different deductibles for expenses with doctors and other health care providers who are in the plan's network and for expenses with providers who are "out of network."

You can, if you choose, use HSA funds to pay for these out-of-pocket expenses.

Or, you can reimburse yourself for those expenses sometime later. Be careful to save all receipts! You are responsible for being able to prove, if questioned by the IRS, that you used your HSA only for qualified medical expenses.

After you meet your annual deductible, you are responsible only for a portion of your medical expenses as outlined in your medical plan.

Remember: Premiums for high-deductible health plans are, on average, **lower than premiums for other types of plans,** such as health maintenance organizations (HMOs) or preferred provider organizations (PPOs). Many HSA members choose to put their premium savings directly into their HSAs to save for the future.

What is a high-deductible health plan?

A deductible of at least:

- \$1,200 for individual coverage
- \$2,400 for family coverage

Annual out-of-pocket expenses under the plan (including deductibles, copayments, and co-insurance) must not exceed:

- \$5,950 for individual coverage
- \$11,900 for family coverage

These are the qualifications as defined by the federal government for 2011. The Internal Revenue Service (IRS) adjusts limits annually.

Visit **www.IRS.gov** to find out more.

or **www.SteveShorr.com**

Example:

Mark's HSA works with his health plan*

- Mark is single. He chose a health plan that covers preventive care at 100 percent and has a deductible of \$1,500.
- The costs of his routine physical exam and other preventive care are covered completely by his health plan.
- Mark takes prescription medication on a regular basis. He is responsible for paying for his prescriptions and other medical care until he has paid \$1,500 — the amount of his deductible.
- After that, he is responsible for paying 10 percent of the cost — what's called co-insurance — until he reaches his plan's out-of-pocket limit of \$5,000.



Expense	Charge	What Mark pays	What the plan pays
Annual physical exam	\$500	\$0	\$350*
Medication	\$2,000	\$1,500 + \$50 (deductible + co-insurance)**	\$450
TOTALS	\$2,500	\$1,550	\$800

*Plan covers preventive care 100 percent. Plan's negotiated rates with Mark's physician apply.

**Plan calls for 10 percent co-insurance once the deductible is met, up to maximum out-of-pocket expenses of \$5,000.

Mark opened an HSA

- He uses pre-tax payroll deductions and **direct deposit, available from his employer**, to save \$2,000 in his HSA.
- His **federal tax savings** with his HSA are approximately \$653.***
- Even if he uses the HSA to reimburse himself for all of his out-of-pocket expenses, he has **still saved that \$653**.
- At year-end he has \$450 as a basis for future savings or to help pay for medical expenses the following year.

HSA deposits	\$2,000
Federal income tax savings on deposits***	\$653
Total out-of-pocket cost (deductible + co-insurance)	\$1,550
Account carries forward	\$450

***Assumes Mark is in the 25-percent federal tax bracket and lives in a state where HSAs are not taxed. He also saves 7.65 percent in Social Security and Medicare (FICA) taxes.

Plus, keep in mind that with the high-deductible health plan associated with an HSA, Mark **will likely pay less in premiums** than if he was covered by another type of health plan.

Opening and funding your HSA

To start saving in an HSA, enroll in a **high-deductible health plan** and open an HSA at a **qualified financial institution, such as OptumHealth Bank**. If your employer is contributing to your HSA, you'll need to open an account to collect employer contributions. Your employer may offer **payroll deductions** to help you save in your HSA. The best way to save is to make a plan – and stick to it.

How to open an account

- Go to myuhc.com and follow the directions to enroll in an account. Have your high-deductible health plan information handy.
- If you are enrolling in an OptumHealth Bank HSA at work, your employer may arrange to help you open an account. Please check with your employer to find out if this is the case.

In both cases, a welcome kit will be mailed to you within 10 business days of account opening.

Depositing money

- When you fill out an application to open an HSA, you can arrange to **make an initial deposit** by transferring funds from another bank account or sending the bank a check or money order with a **contribution/deposit form**.
- You can **mail a check** with a contribution/deposit form available at myuhc.com. Follow the instructions on the form.
- **If your employer contributes to your HSA**, find out when it will make the first deposit and what schedule it will follow.
- If your employer offers **payroll deduction**, you may elect to have an amount deducted pre-tax from your paycheck and deposited directly into your HSA. This contribution will be made **before Social Security, federal and most state income taxes are deducted**.



- Once your account is established, you can log into **myuhc.com**, link to your account information, select “eContribute” and arrange to make a deposit to your HSA from another bank account, such as a savings or checking account, one time or on a recurring basis.

IRA and HSA rollovers

You can make a one-time distribution from your traditional IRA or Roth IRA to your HSA. You must direct your IRA trustee to make the distribution directly into your HSA. The amount cannot exceed how much you are eligible to contribute to an HSA for the tax year. The distribution from your IRA is not included in your income, is not deductible and reduces the amount that can be contributed to your HSA.

You can roll over amounts from Archer Medical Savings Accounts (MSAs) and other HSAs into an HSA. You must roll over the amount within 60 days after the date of receipt. You can make only one rollover contribution to an HSA during a one-year period. Rollovers are not subject to the annual contribution limits.

You can also direct an HSA administrator to transfer funds directly into another HSA. Such a transfer is not considered a rollover, and there is no limit on the number of such transfers. You do not include the amount transferred in your income for tax purposes, deduct it as a contribution or include it as a distribution from the account.

You can find a rollover/transfer request form through myuhc.com.

Contribution limits

There are limits, set by law and adjusted annually, for how much you can contribute tax free to an HSA in a calendar year.

Contribution Limits for 2011

\$3,050 for individual coverage

\$6,150 for family coverage

Note: the tax-free contribution limits include any employer contributions to your HSA.

If you are 55 or older, you can make **“catch-up” contributions**, meaning you can deposit an additional \$1,000 in 2011. If your spouse is also 55 or older, he or she may establish a separate HSA and make a “catch-up” contribution to that account.

Keep in mind that you can contribute up to the maximum allowed for the year at any time up until the tax-filing deadline (generally April 15) of the following year.

What if...my total HSA contribution for the year exceeds the IRS limits?

Your excess contributions are subject to standard income tax rates plus a 6 percent penalty.

You can complete and mail or fax a withdrawal/distribution form, available through myuhc.com. If you request a refund, there is no penalty as long as the distribution is made before the tax-filing deadline, generally April 15. Earnings on the excess amount are taxable, but the 6 percent excise tax will not apply as long as the excess contributions and earnings are paid out before the tax-filing deadline.

What if...I have more than one HSA?

You may contribute to all of them, but the total contributions to your accounts cannot exceed the annual maximum contribution limit. Contributions from your employer, family members or any other person must be included in the total.

Who can contribute

You

When you contribute money to your HSA, it is generally not taxable. You can contribute by having a certain amount deducted regularly from your paycheck, if your employer offers this convenience. Or, you can make your own deposits and write off your allowable HSA contribution on your personal income tax return as an “above-the-line” deduction.

Your employer

Your employer can also contribute to your HSA, and those funds belong to you as soon as they are deposited, even if you change jobs or are laid off. Be sure to subtract your employer’s contribution from the annual contribution limit to figure out how much you or others can deposit.

Keep in mind that if your employer contributes to your account, your employer determines how often to contribute – yearly, monthly or weekly. Check to see what your employer’s contribution schedule will be. When employers make contributions, you do not get a tax deduction for these contributions, although they are excluded from your gross income.

Other people

Friends and family members can contribute to your HSA, on your behalf. If a family member or friend makes a contribution to your HSA, you may deduct the contribution amount when filing your annual income taxes, just as if you had deposited the post-tax contribution on your own.

The contributor should write a check payable to you, the HSA account holder. If you bank with OptumHealth Bank, **fill out a contribution/deposit form** (available through myuhc.com). Then, attach the check to the form and mail it according to instructions on the form.

Pro-rated contributions

A job change or other life event may lead you to end your coverage in an HSA-eligible health plan at some time during a normal 12-month benefits period. In that case, you would need to calculate a pro-rated contribution amount based on your actual months of high-deductible plan coverage.

If your contributions exceed that amount, you can apply to your HSA administrator to have excess contributions returned to you. Find a withdrawal/distribution request form for you to use through myuhc.com.

For example ...

- Your employer's plan year is Jan. 1 to Dec. 31 (12 months).
- You maintain high-deductible health plan coverage for six months (July through December).
- The IRS maximum contribution limit for the year is \$6,150.
- Your maximum contribution would be \$3,075. [$\$6,150/12 = \512.50 (maximum monthly contribution); $\$512.50 \times 6 = \$3,075$].

If you are 55 or older, catch-up contributions must also be pro-rated using the same formula.

Mid-year plan enrollment

If you enroll in an HSA-eligible health plan before the first day of December of any year, you are eligible to make the entire year's tax-free contribution to your HSA. To do so, you must also continue to participate in a high-deductible health plan for the rest of the year and **the entire following year**. During this time, you cannot have other health care coverage that would make you ineligible to contribute to an HSA.

Excess contributions

Excess contributions to an HSA — because of an oversight or because you ended coverage under an HSA-eligible health plan — must be included in your income and are subject to regular income tax plus a penalty.

You can, of course, contact OptumHealth Bank to have excess contributions returned to you, as described on page 10.

What if...I contributed the maximum annual amount, but I was not covered by an HSA-eligible health plan for an entire year?

You are only eligible to contribute to your HSA for the time you were covered by a high-deductible health plan. You can figure that out by **pro-rating your maximum contribution** — for individual or family coverage — for the part of the year you were covered by a high-deductible plan. You can arrange to withdraw your excess contribution, as described on page 10.

Designating a beneficiary

When you set up an HSA, it is important that you also **select a beneficiary**. Selecting your spouse as your beneficiary, for example, will ensure that your HSA money is immediately available to your spouse and any dependents to use for qualified medical expenses tax free upon your death.

What if you don't select a beneficiary?

If you do not specify a beneficiary at all, your money becomes **part of your estate** and may not be immediately available for qualified family medical expenses. It may also be subject to taxation.

How do you designate your beneficiary?

If you have an account with OptumHealth Bank, you can download the designation of beneficiary form through myuhc.com and follow the instructions.

What if...my spouse and I are covered by different health plans?

Your contribution limits are generally determined by the type of high-deductible health plan you have — single or family. Consult a tax advisor regarding your personal situation. You can find out more by visiting www.treasury.gov.

Example: Tim's contributions and tax savings

- Tim has family coverage with a high-deductible health plan.
- His total contribution maximum for the year is \$6,150. Every two weeks, he puts \$236.54 into his HSA.
- Tim's federal tax bracket is 28 percent.* Tim lives in Illinois, where HSA contributions are not taxed.**
- His total federal and state income tax savings on contributions this year are **\$1,906.50**.
- Visit myuhc.com to do your own HSA calculations.



*Please see www.IRS.gov to find out your tax bracket.

**Hypothetical example assumes a state tax rate of 3 percent in Illinois. While health savings accounts were created by the federal government, states can choose to follow the federal tax treatment guidelines or establish their own. Some states have chosen to tax HSA contributions. Talk to your financial advisor or consult your state department of revenue for more information.

Growing your money

There are time-tested principles of saving money: start early, make regular deposits and set a goal for every year. The same wisdom applies to HSAs. Not only will your deposits grow, but your tax savings will, too. Remember: every dollar you put into your HSA up to the contribution limit is federal income-tax free.



Interest and fees

Your HSA may earn interest at competitive, tiered rates. Interest is accrued daily and paid monthly. Interest rates vary. To find out your current interest rate, log into your account at myuhc.com.

Accounts are subject to a monthly maintenance fee to cover use of the HSA Debit MasterCard and online bill payment. If you have a health plan and an HSA through work, your employer may cover the cost of monthly fees; check with your employer to find out its policy. You may also refer to the fee schedule that is included with your HSA welcome kit.

Investment opportunities

Once your deposit account reaches a designated value, known as the investment threshold, you may, if you choose, set up a separate investment account to invest a portion of your savings in mutual funds.

Guidelines for transferring money from your deposit account into an investment account include:

- You must retain at least the minimum investment threshold balance in your HSA deposit account at the time of a transfer.
- Funds must be invested in increments of \$100 or more.
- You can make trades online or by phone with our interactive voice response (IVR) system.
- Deposit and investment account balances and transactions are combined and viewable online at myuhc.com.
- A monthly investment fee may apply.

A message on our website will alert you when your account has reached the investment threshold.

OptumHealth Bank offers a diverse array of mutual funds from well known fund managers. Your employer may offer different investments through its benefits plan; check with your benefits administrator to find out more.

Maintaining and redeeming investment accounts

If you choose to invest, you will have the option to automatically “sweep” contributions to your account that exceed the investment threshold into your investment account. You will choose how investments are allocated when you set up your investment account, and you may change your allocations with tools available through myuhc.com.

Payments for qualified medical expenses can only be made from your deposit or savings account. If you want to use money in your investment account to pay for medical expenses, you must first liquidate investments and transfer funds into your deposit account. You can do this online through

myuhc.com. See the OptumHealth Bank Custodial and Deposit Agreement for more information on liquidation of investments.

Investment tools and information

Links from **myuhc.com** provide you with investment information and tools, including:

- Fund prospectuses
- Morningstar® information for each mutual fund
- Prospectus summaries, past performance and risk measures for each fund
- Personal rate of return information

Example:

Mary's savings grow over time



- Mary contributes \$2,500 per year to her HSA.
- Her average qualified medical expenses per year are \$1,000, making her net contribution per year about \$1,500.
- Mary's tax bracket is 25 percent.* Mary lives in Nevada, where there is no state income tax.**
- Mary earns 1.00% APY on her savings.***

After five years	After 15 years
<ul style="list-style-type: none"> • Mary's net HSA contribution is \$7,500. • Her tax savings (on her HSA contributions) are \$3,125. • Her earnings on her HSA are \$228.02. • Her tax savings (on HSA earnings) are \$57.01. 	<ul style="list-style-type: none"> • Mary's net HSA contribution is \$22,500. • Her tax savings (on her HSA contributions) are \$9,375. • Her earnings on her HSA are \$1,886.80. • Her tax savings (on HSA earnings) are \$471.70.
Mary has \$7,728.02 saved for qualified medical expenses.	Mary has \$24,386.80 saved for qualified medical expenses, even those she has in retirement.

Investments are not FDIC-insured, are not guaranteed by OptumHealth Bank, and may lose value.

*Please see www.IRS.gov to find out your tax bracket.

**Talk to your financial advisor or consult your state department of revenue for more information about your state's taxation policies.

***Example presumes an unchanging APY of 1.00% over 15 years. Interest rates vary over time and may be higher or lower than the example shows.

Tax benefits and information

With an HSA, you are in charge of your account — not your employer, not your health insurance company, not your bank. You get the benefit of triple tax savings:

- Money put into the account is tax deductible.
- Balances grow tax free.
- Withdrawals to pay for qualified health expenses are income-tax free.

You are also responsible for tracking your expenses and reporting to the IRS and your state revenue department when filing your federal and state income tax returns.

Reporting to the IRS

You are responsible for saving receipts and keeping track of all expenses paid from your HSA funds, in case you need to prove to the IRS that distributions from the HSA were for qualified medical expenses.

You can download an expense tracking worksheet through myuhc.com to help you maintain your records. Or use your own money management software.

If you use your HSA funds to pay for goods or services that aren't qualified medical expenses, you are responsible for reporting that to the IRS, paying income taxes on the amount and possibly an additional 20 percent tax. You will need to consult your tax advisor.



Remember: you can keep money in your HSA for as long as you choose. If you've previously had a health care flexible spending account (FSA), then you're familiar with the FSA's "use it or lose it" rule that requires you to use FSA dollars within the plan year (or before the end of a grace period). That does not apply to HSAs.

For detailed information about tax reporting with your HSA, visit the U.S. Internal Revenue Service website at www.IRS.gov.

or www.SteveShorr.com

Important forms

For tax purposes, there are three important forms. Samples are available through myuhc.com:



IRS Form 1099-SA

This form provides you with the total distributions that were made from your HSA. You will receive a separate 1099-SA for each type of distribution you had in that tax year. The five types of distributions are: normal, excess contribution removal, death, disability and prohibited transaction. If you did not have distributions during the tax year, you will not receive a 1099.



IRS Form 5498-SA

This form provides you with the contributions that you made to your HSA in a tax year. Since account holders have the right to make contributions to their HSA for a tax year until April 15 of the following year, this form is sent out in May.



IRS Form 8889

This is the HSA contribution form for you to complete and attach to your IRS 1040 Form.

State tax information

While HSAs were created by the federal government, states can choose to follow the federal tax treatment guidelines or establish their own.

Eligible HSA contributions are not taxed by most states, but they are taxed in Alabama, California, New Jersey and Wisconsin. Please consult your tax advisor or state department of revenue for more information.

Withdrawals after age 65 or upon becoming disabled

After you turn 65 or become entitled to Medicare benefits, you may withdraw money from your HSA for non-medical purposes without penalty. The withdrawal is treated as retirement income and is subject to normal income tax. The same holds true if you become disabled before age 65: you are not liable for the 20 percent penalty and the withdrawals are treated as income.

What if...I am no longer covered by an HSA-eligible annual deductible health plan?

Then you cannot continue to contribute to your HSA, but you can use your HSA funds to pay for qualified medical expenses tax free for as long as there is money in the account.

In short, the money in your HSA is yours to keep. If you choose to transfer your funds from OptumHealth Bank to another qualifying account, you must do so within 60 days of withdrawing the funds to avoid taxes and a 20 percent penalty.

Using your HSA

You can use your HSA funds to pay for “qualified medical expenses,” even if an expense is not covered by your health plan. For example, few health plans cover the cost of acupuncture, but HSAs can.

Your HSA dollars also apply not only to you, but also to your spouse and dependents, even if they are not covered by your high-deductible health plan.

The list of “qualified medical expenses” is defined by the IRS, and it includes a wide range of dental, vision and medical expenses. You should become generally familiar with the list and consult it as needed to determine if an expense can be paid for with your HSA.

Qualified medical expenses

Expenses that qualify for payment or reimbursement from your HSA tax free are defined by federal regulation. The following is a short list of some products and services in this category.

- Doctor office visits
- Dental care, including extractions and braces
- Vision care, including contact lenses, prescription sunglasses, even LASIK surgery

- Prescription medications
- Chiropractic services
- Acupuncture
- Hearing aids (and the batteries, too)

For more information about qualified medical expenses, visit the IRS website at www.IRS.gov or visit myuhc.com.

www.SteveShorr.com



Other HSA-qualified expenses

Generally you cannot use your HSA to pay for health insurance premiums, but there are exceptions. You may use your HSA to pay for:

- Any health plan coverage while receiving federal or state unemployment benefits
- COBRA continuation coverage after leaving employment with a company that offers health insurance coverage
- **Eligible long-term care**
- Medicare premiums and out-of-pocket expenses, including deductibles, copays, and co-insurance for:
 - Part A (hospital and inpatient services)
 - Part B (physician and outpatient services)
 - Part C (Medicare HMO and PPO plans)
 - Part D (prescription drugs)

What if...I use the money in my HSA for nonqualified expenses?

Any amounts you use for purposes other than to pay for qualified medical expenses are taxable as income and subject to an additional 20 percent tax penalty. This applies to:

- Medical expenses that are not considered “qualified” under federal law, like elective cosmetic surgery
- Other types of health insurance
- Medicare supplement premiums
- Expenses that are not medical- or health-related

To redeposit funds used in error for nonqualified expenses, complete a withdrawal correction form, available through myuhc.com.

Spouse and dependent health care

If you are married, you and your spouse may be covered by different health plans. If you have children, they may be covered under your plan or your spouse’s plan.

Family situations vary. Generally, contribution limits to an HSA are determined by the type of coverage — individual or family. Visit www.treasury.gov for answers to frequently asked questions on this topic. Or, consult your tax advisor.

Even if your spouse or dependents are not covered by your high-deductible health plan, you may use your HSA dollars to pay for qualified medical expenses for them.

Limited-purpose flexible spending account (FSA)

If you are depositing money into an HSA in a tax year, you are not eligible to deposit money into a health care FSA. You may, however, be able to open what’s called a limited-purpose FSA through your employer’s benefits plan.

A limited-purpose FSA can be used to pay for **dental and vision expenses** that you may have. The “use it or lose it” rule also applies to limited-purpose FSAs, so you should estimate your expenses carefully before electing how much to save in such an account.

Health Savings Account Debit MasterCard®



You can use your Health Savings Account **Debit MasterCard** for direct payment at a doctor's office, pharmacy or any health care facility that accepts MasterCard. In most cases, the card can also be used to pay a bill from a doctor's office or health care facility, provided they accept MasterCard.

You will receive your card in the mail seven to 10 days after enrolling in an HSA. Activation instructions will be on a sticker attached to the card. Be sure to activate your card so you can start using it for your qualified medical expenses.

Your personal identification number (PIN) for your card will arrive separately in the mail. With your PIN you can use your Debit MasterCard to withdraw funds at any ATM displaying the MasterCard brand name.* So, for example, if you go to the doctor and pay for your services out of your own pocket, you can then withdraw money at the ATM to reimburse yourself.

If you would like an additional debit card, download a request form through myuhc.com and follow the directions on it.

Lost or stolen Debit MasterCard

If your card is lost or stolen, you can call OptumHealth Bank toll free at (800) 791-9361 any time of the day or night. Our phone system is set up to take this information even after business hours. We will reissue you a new card free of charge. It should arrive by mail within seven to 10 days of reporting a lost or stolen card.

*OptumHealth Bank will charge a \$1.50 per transaction fee for ATM withdrawals. Fees may also be charged by the ATM owner.

Online banking and bill payment

Sign into myuhc.com and enjoy the convenience of online banking with OptumHealth Bank. You can view recent account activity, link to your investment account, if you have one, and view and download your monthly statements. **You can also pay bills for qualified medical expenses directly to your doctor** or other health care providers. With online bill payment, you can set up the names and addresses of your providers to make future payments a snap.

At time of application, you agree to receive electronic monthly statements. You can, if you choose, request to have monthly statements mailed to your home. You can opt out of electronic statements by completing and returning a statement delivery change request form, available through myuhc.com.

Paying with checks

You may also request HSA checks to use when paying your medical bills. Checks are issued for a fee of \$10 for a book of 25. Refer to your fee schedule for a list of fees that apply to your HSA.

Things to keep in mind when paying your medical bills

- If paying a bill with your Debit MasterCard, with online bill payment or by check, you must have sufficient funds available in your account to cover the cost.
- You can wait until your balance grows and reimburse yourself for costs you paid for out of pocket (remember: save your receipts).
- The true cost of your medical expense may be discounted if your doctor is in your health plan's network. It's best to wait until after the claim is filed and the insurance company notifies you of how much you are responsible for before using your HSA funds to pay.

Requesting disbursement from your HSA to another account

You may choose to pay for some or all of your medical expenses out of pocket, saving receipts to track your qualified expenditures. Then, at some point in the future, you may reimburse yourself for those expenses by issuing a check to yourself with online bill payment or by requesting a disbursement from your HSA to another bank account.

Go to myuhc.com, log in and download a transfer of funds-ACH withdrawal form. Fill out the form and follow directions for returning it to OptumHealth Bank.

When you reimburse yourself is completely up to you. It can be weeks, months or even years after you've paid for the qualified medical expenses. You must, however, have retained the receipts for the qualified medical expenses in the event the IRS inquires.

Disbursement limits

OptumHealth Bank limits your ATM withdrawals to \$300 within a 24-hour period. There is also a \$10,000 limit on disbursements at a point of service, such as a health care facility, in a 24-hour period.

Example:

Julie's visit to the doctor

- Julie gives her UnitedHealthcare member ID card to the office personnel. The card contains information about her health plan.
- The doctor prescribes medication. He consults with Julie on her medical coverage, and he prescribes a generic medication.
- Julie takes the prescription to her pharmacy. She pays the network-negotiated rate for her prescription using her HSA Debit MasterCard.
- After her visit, the doctor's office submits the claim to UnitedHealthcare to find out if the health plan or Julie is responsible for payment. The doctor is in the UnitedHealthcare network, so Julie would pay a network-negotiated rate for the doctor's visit.
- Julie's plan sends her a statement or explanation of benefits – what's called an EOB – indicating that she is responsible for paying for this office visit and what the charge should be.
- Julie can use funds in her HSA to pay the bill, or she can choose to pay another way and save her HSA funds for future expenses.
- Julie decides to use her HSA funds. She uses online bill payment through myuhc.com to send payment to her doctor.



What if...my doctor's office isn't familiar with HSAs and high-deductible health plans?

When you visit your doctor, be prepared to share information about your HSA plan with the person who verifies your insurance information and with your doctor.

Most importantly, let them know you don't have to pay a copayment. It's also important to talk to your doctor about your plan and let him or her know that you're thinking wisely about the care you receive and how much you spend on it.

Working with OptumHealth Bank

Once you become familiar with how an HSA works, you can make it part of your personal plan to save and pay for health care. At OptumHealth Bank, health care is part of everything we do. We appreciate the opportunity to serve you.

Website

Log into your account through **myuhc.com** to:

- Check monthly statements
- Pay bills to physicians, dentists or other health care providers
- View and export transactions
- Download account forms
- Change your address
- Update your email address
- Find your current interest rate
- Arrange to make deposits from another bank account
- Manage investment activity

Statements are posted after the end of each month. Up to 18 months of statements are available online.

Also available at myuhc.com:

- Information on how to manage your account
- Tax information
- HSA calculators
- Information about high-deductible health plans

Tips for managing your HSA

- Keep all medical receipts.
- Use the expense tracker worksheet on OptumHealthBank.com or use your own money management software.
- Log in regularly to myuhc.com to pay bills, check your balance, view account activity and check your monthly statement.
- Retain all tax documents you receive from OptumHealth Bank for filing your tax returns and maintaining your records.



Customer communications

After you enroll in an HSA, we'll send you a welcome kit with your account number, account disclosures and your HSA Debit MasterCard. To ensure security, your PIN will be mailed separately.

Every year, we'll mail you our Annual Privacy Notice.

We will also e-mail you a bi-monthly newsletter, the Health Savings News, with tips for using your HSA and reminders of important deadlines and notices. If you don't want to receive this newsletter, you can follow directions on it to ask us to remove you from our mailing list.

We may e-mail you on occasion with information about servicing your HSA. Please know that **we will never ask you for personal or confidential information**. Your privacy and online security are very important to us. Visit myuhc.com for information on safeguarding and protecting your security online.

Customer service

Call us toll-free at **(800) 791-9361**. Customer service representatives are available 8 a.m. to 7 p.m. Eastern Time, Monday through Friday. Assistance for most foreign-language speakers is also available.

If you call before or after business hours, our phone service includes many automated options, including:

- Information about the account balance and last five transactions
- Directions to activate a debit card or report a lost or stolen debit card
- Information for managing investments
- Instructions about transferring funds by wire

Customer service representatives do not have access to information or data about your HSA-eligible health plan or claims. Please contact your health plan for that information.

Health savings accounts (HSAs) are individual accounts offered by OptumHealth Bank, Member FDIC, and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section 213(d) of the Internal Revenue Code. This communication is not intended as legal or tax advice. Please contact a competent legal or tax professional for personal advice on eligibility, tax treatment, and restrictions. Federal and state laws and regulations are subject to change.

Hypothetical examples used throughout this guide are for illustrative purposes only. They are presented strictly for educational purposes and do not reflect an actual plan design or personal situation. All events, persons and results described are entirely fictitious, and amounts will vary depending on your unique circumstances. Any resemblance to real persons or events, living or dead, is purely coincidental. Current rates are variable and may change at any time. Please consult your benefits administrator or a tax, legal or financial advisor about your own personal situation.



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myuhc.com

(800) 791-9361

**Thank you for choosing OptumHealth Bank. We are pleased
to have the opportunity serve you.**