

Golden Rule[®]

The Health Savings Account Handbook

**Answers To Common Questions
About Your HSA**

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Health Savings Account Inquiries -- Contact The Northern Trust Company

If you have questions about your Health Savings Account, contact The Northern Trust Company at 1-866-260-9549.

Please have your HSA account number when you call.

Medical Insurance Inquiries -- Contact Golden Rule

If you have questions about the medical insurance, contact Golden Rule at the applicable numbers listed below:

Plans

Arkansas, Arizona, Iowa, Illinois, Indiana, Missouri, Nebraska, Ohio, Oklahoma, Pennsylvania, Texas, Wisconsin, and West Virginia:

Claims/Benefits	618-943-5305
Premium/Other	618-943-5064

All other states:

Claims/Benefits	317-297-4189
Premium/Other	618-943-5064

Employer Group Plans

618-943-5064

Visit our Web site at goldenrule.com

HSA

What is an HSA?

A **Health Savings Account (HSA)** is a savings account created for the purpose of paying medical expenses.

What is high deductible medical insurance?

A health insurance plan that has minimum annual deductibles and maximum out-of-pocket limits.

Limits. For 2004:

	<i>Minimum Deductible</i>	<i>Maximum Out-of-Pocket</i>
Single	\$1,000	\$5,100
Family	\$2,000	\$10,200

Future Limits. These minimums and maximums are adjusted annually based on changes in the Consumer Price Index (CPI).

How does the plan work?

An HSA works in conjunction with high deductible medical insurance.

The HSA money can be used to help pay the medical insurance deductible and medical expenses not covered by the medical insurance.

If you meet the deductible with covered expenses, the **medical insurance** pays 100% for remaining covered expenses. Payment of all plan benefits is subject to all terms and conditions of the policy, including medical necessity determinations. Out-of-network benefits are also subject to reasonable and customary determinations.

Eligibility

Who can have an HSA?

The individual must be:

- 1) Covered by high deductible medical insurance;
- 2) Not covered under other health insurance; and
- 3) Not entitled to Medicare.

Exceptions. Other health insurance does not include coverage for: accidents, dental care, disability, long-term care, and vision care.

Workers' compensation, specified disease, and fixed indemnity coverage is also permitted.

Can my spouse have an HSA?

Yes, provided he or she is covered under his or her own high deductible medical insurance. If both of you have HSAs, the maximum tax deductible savings account contribution for each is equal to one-half of the maximum tax deductible family contribution limit. This limit is determined by the deductible level of your medical plan (see page 4).

Your spouse can also be covered under your plan.

Reporting/Fees

What kind of reports will I get?

You will receive quarterly statements showing deposit and withdrawal activity with your account balance.

Are there HSA management fees?

Yes. HSA checking services are provided to you for \$3 per month. **Management fees will automatically be deducted from your account.** The first 25 checks are provided at no cost. Additional orders cost \$2.50. Your account will be charged \$10 for each bounced check and \$15 for each stop-payment request.

HSA's and PPO's

How do HSA's work with PPO's?

Paying the bill. If you have PPO coverage, you should not pay for your in-network medical care at the time of service. Your provider will send the bill to the PPO network for repricing at the discounted rate.

We will then send you an Explanation of Benefits (EOB) and you can pay the provider the lower, repriced amount.

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Withdrawals and Reimbursement

How do I withdraw money?

Write a check. We will send you an HSA checkbook shortly after your insurance becomes effective.

You can pay your qualified medical expenses with these checks or write yourself a check and pay the providers from your personal checking account.

Qualified medical expenses.

See below.

The bills. Be sure to retain copies of your medical bills. If you have enough bills to meet your deductible, send them to us.

PPO plans. If you have a PPO plan, you should review “HSAs and PPOs” (page 2) prior to visiting a PPO provider.

If your doctor or hospital sends us the bill(s), we will process them under the medical insurance and send you an EOB.

You can then pay the doctor or hospital.

How do I get reimbursed by the medical insurance?

If you have enough covered expenses to meet the deductible, send us your bills. We will process the expenses under the medical insurance.

If benefits are payable. We will pay the provider directly, unless you have already paid the bill, in which case we will pay you. If you have paid the bill, please note that on the bill.

Noncovered expenses. If a condition is ridered or simply not a covered expense under the medical insurance, you can use your HSA money to pay the bill.

Can my HSA be used for dependents not covered by the medical insurance?

Generally, no. Qualified medical expenses include unreimbursed medical expenses of persons covered by the high deductible medical insurance.

Exception. HSA money can be used for unreimbursed medical expenses of your spouse and eligible dependents.

What about nonmedical withdrawals?

Nonmedical withdrawals from your Health Savings Account are taxable income and subject to a 10% tax penalty.

Exception. This tax penalty does not apply if the withdrawal is made after the date you:

- 1) Attain age 65;
- 2) Become totally and permanently disabled; or
- 3) Die.

Can my HSA be used to pay premiums?

No, this would be a nonmedical withdrawal subject to taxes and penalty.

Exception. No penalty or taxes will apply if the money is withdrawn to pay premiums for:

- 1) Qualified long-term care insurance; or
- 2) Health insurance while you are receiving federal or state unemployment compensation; or
- 3) Continuation of coverage plans, like COBRA, required under any federal law; or
- 4) Health insurance after you turn 65, but not Medicare supplement insurance.

Who administers my checking account?

The administrative services associated with your HSA are being provided by our agent, The Northern Trust Company, a Chicago-based bank founded in 1889. Golden Rule chose The Northern Trust Company because they have earned distinction as a leading provider of Cash Management services.

Tax Benefits

What are the tax benefits?

There are three major tax advantages to your HSA.

- 1) **Cash contributions during a tax year to an HSA are deductible from your federal gross income.***

These contributions are prorated on a monthly basis. For example, if you started your HSA in July, you would have a first-year contribution limit equal to the annual maximum ÷ 12 x 6.

- 2) **Interest earnings accumulate tax-deferred.**
- 3) **Withdrawals from an HSA for “qualified medical expenses” are free from federal income tax.**

What is a qualified medical expense?

A **qualified medical expense** is one for medical care as defined by IRS Code Section 213(d). The expenses must be primarily to alleviate or prevent a physical or mental defect or illness. Most expenses for medical care will fall under IRS Code Section 213(d).

However, some expenses do not qualify.

A few examples are:

- Surgery for purely cosmetic reasons
- Health club dues
- Illegal operations or treatment
- Maternity clothes
- Toothpaste, toiletries, cosmetics

HSA money cannot generally be used for insurance premiums. See page 3 for exceptions.

* Contributions made by your employer will not be included in your gross income.

Deposits

What are the tax deductible contribution limits?

The law. Monthly contribution limits are based on:

- 1) The medical insurance deductible amount;
- 2) Whether you have single or family coverage under the high deductible medical insurance; and
- 3) Medicare eligibility. You may no longer contribute once you become entitled to Medicare.

Following are the *monthly* maximum tax deductible contributions for 2004:

Singles

Deductible	\$1,000	\$1,700	\$2,600
Maximum Monthly Deposit (Tax-Deductible Limit)*	\$83.33	\$141.66	\$216.66

Families

Deductible	\$2,000	\$3,450	\$5,150
Maximum Monthly Deposit (Tax-Deductible Limit)*	\$166.66	\$287.50	\$429.16

* Those individuals aged 55 and over may contribute an additional \$500 for tax year 2004.

Golden Rule minimums. A minimum of \$25 each month is required to open and continue your HSA with Golden Rule.

Excess Contributions. If contributions exceed the amount you can legally deduct/exclude from your taxes -- the excess is taxed as ordinary income and subject to a 10% tax penalty.

Avoiding Penalties. You can avoid the penalty by withdrawing the excess and interest on it before the tax filing deadline.

How are deposits made?

Deposits are made through Golden Rule and set up on the same payment plan as premiums for the medical insurance.

Are lump-sum deposits permitted?

Yes, however you must continue your \$25 monthly minimum deposit. Additionally, the lump sum when added to your monthly deposits cannot exceed the maximum annual contribution limit. Lump-sum deposits will be applied to the tax year they are received unless you notify us otherwise. Lump-sum deposits should be sent to Golden Rule, Attention: SAM unit.

Who is responsible for my HSA?

Golden Rule is responsible for the money in your HSA. The money is held in a Golden Rule custodial account. Administrative services are provided by The Northern Trust Company. While funds are not insured by the FDIC or any agency, Golden Rule guarantees the integrity of your HSA, including principal and earned interest.

For more information on The Northern Trust Company, see page 3.

Miscellaneous Questions and Answers: The Savings Account

Are there adjustments for inflation?

Yes, the tax law requires an annual Cost of Living Adjustment (COLA) based on changes in the Consumer Price Index. This calculation, rounded to the nearest \$50 increment, affects deductible limits, maximum out-of-pocket amounts, and the maximum annual HSA contribution limits.

Medical plan deductibles may change by the COLA each year. We will automatically adjust your deductible and notify you of the change.

Can I have an HSA and an IRA?

Yes, having an HSA in no way restricts your ability to have an IRA.

Can HSA money be rolled into an IRA?

No, it can only be rolled over into another qualified HSA without incurring tax consequences.

Must distributions begin at age 70½?

While the law is silent on this point at the present time, we would expect the IRS to treat this like an IRA. Therefore, the answer will probably be "yes."

What happens to my HSA if I die?

Your HSA will be treated as your surviving spouse's HSA, but only if your spouse is the named beneficiary. If there is no surviving spouse or your spouse is not the beneficiary, then the savings account will cease to be an HSA and will be included in the federal gross income of your estate or named beneficiary.

When will my HSA terminate?

We will terminate your HSA if you ask us to.

Your HSA will also terminate if your account balance drops below \$500 **and:**

- 1) You cease depositing a minimum of \$25 monthly; or
- 2) Your medical insurance terminates.

If your HSA terminates, you will receive a check for any amount due to you.