






HRC TOTAL SOLUTIONS

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Offering you
cost savings
and well-being
with a Health
Savings
Account (HSA)

Contact Customer Service: Monday – Friday 8:30am-5:00pm EST

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SIGNING UP FOR A HEALTH SAVINGS ACCOUNT (HSA) PUTS MORE MONEY IN YOUR POCKET!

You can pay less in taxes and get a discount on your medical expenses simply by signing up for an HSA!

A Health Savings Account (HSA) works with a high deductible health plan (HDHP). A HSA lets you deduct a portion of your paycheck-before taxes- into an account to pay for medical expenses before your deductible is reached. You can also use your HSA for expenses not covered by your health insurance plan. It also helps you plan for future medical expenses

A Health Savings Account (HSA):

- **Is yours.** Funds in your HSA stay with you even if you change jobs. Additionally, if you're no longer covered by an HDHP, your account stays active and you can use your remaining funds for qualified medical expenses.
- **Reduces your taxable income.** The money is tax-free, both when you put it in and when you take it out to cover qualified medical expenses.
- **Grows with you.** If you maintain a minimum balance of \$2,000, your additional funds may be invested in mutual funds yielding tax-free earnings.
- **Helps you plan for the future.** Until you turn 65, withdrawals used for eligible expenses are tax free. After you turn 65, or if you become disabled, your HSA becomes similar to a regular IRA. Withdrawals you use for non-eligible expenses will be taxed at your regular income tax rate but won't incur additional penalties.
- *HRC Total Solutions is not a tax advisor, and legally cannot offer any tax advice.*

HOW IT WORKS

You and your Employer can deposit money into your HSA, up to an annual per-person or family limit set by the IRS. You can use money in your HSA to pay for expenses applied to your health insurance deductible and for medical care/supplies like dentistry, ophthalmology, and prescription drugs.

When you enroll, an account will be created for you at Healthcare Bank, a division of State Bank & Trust—a \$4 billion financial institution. You'll be given access to a secure, easy-to-use web portal where you can track your account balance, view your investment accounts, and submit requests for reimbursement.

You will receive a convenient VISA debit card to make it easy to access the money in your HSA. The card contains the current value of your HSA, and you can use it to pay for qualified expenses not covered by your health insurance.

When you use the card, the cost of your eligible expenses will be automatically deducted from your account. Just swipe and go. It's that easy!

You can also request reimbursement distributions online at www.HRCTS.com for any purchases or payments not made with your debit card. Payment will be made based on your available funds and may be sent via direct deposit, online bill pay, or check depending on your preference.



HOW IT SAVES YOU MONEY

Enrolling in an HSA can help you save money in several ways. Choosing a high deductible health plan reduces your monthly insurance premiums. You can use these savings to fund your HSA. The money you deposit into your HSA is not subject to federal income taxes, which means your “take-home” pay increases. You can use money from your HSA to pay for medical care/supplies that aren’t typically covered by medical insurance. Because that money is not taxed, you’re essentially getting a 25% to 40% discount on these expenses. Unused money in your HSA can be invested in mutual funds with no taxes to you on qualified withdrawals, interest or growth. *

Your HDHP monthly premiums are lower.	You contribute a federal tax-free amount each month.	You use your funds to pay un-covered expenses.	Your unused funds earn federal tax-free interest, and can be invested in mutual funds. *
Savings #1	Savings #2	Savings #3	Savings #4
You (or your employer) pay lower premiums.	Your take-home pay increases depending upon your tax bracket.	You essentially get a 25% to 40% discount on medical expenses.	You don’t get taxed on qualified withdrawals, interest, or growth

*A \$2,000 minimum balance is required to move money into investment funds.

Expenses applied to deductible	\$ 1,200
Dental cleanings and fillings	\$ 880
Eye Exams	\$ 240
Glasses and Prescription Sunglasses	\$ 580
Chiropractic Fees	\$ 640
Prescription Drugs	\$ 780
Total	\$ 4,320
Annual Savings at 25% Federal Income Tax Rate	\$ 1,080
Annual Savings at 40% Federal Income Tax Rate	\$ 1,728

**This illustration shows the typical savings of a single person with a high deductible health plan and an HSA. Results may vary depending on tax brackets, etc.*

HOW YOUR HSA FUNDS COULD GROW!

The long-term benefits of a Health Savings Account are shown in the table below, which represents a \$3,000 annual contribution, with a 5% annual rate of return on mutual fund investments.

Balance in 20 Years		\$ 99,198.00
Growth Over Time (\$)		Years
\$ 3,000.00	\$ 6,150.00	1-2
\$ 9,458.00	\$ 12,930.00	3-4
\$ 16,577.00	\$ 20,406.00	5-6
\$ 24,426.00	\$ 28,647.00	7-8
\$ 33,080.00	\$ 37,734.00	9-10
\$ 42,620.00	\$ 47,751.00	11-12
\$ 53,139.00	\$ 58,796.00	13-14
\$ 64,736.00	\$ 70,972.00	15-16
\$ 77,521.00	\$ 84,397.00	17-18
\$ 91,617.00	\$ 99,198.00	19-20

ELIGIBLE EXPENSES

Expenses are eligible for payment or reimbursement from your HSA if the expenses are for the diagnosis, cure, mitigation, treatment or prevention of disease and for treatments affecting the function of the body. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness. Expenses solely for cosmetic reasons are generally not considered eligible expenses based on these criteria.

The list below shows common examples of qualified medical expenses. Complete lists of eligible and non-eligible expenses can be found in IRS Publication 502, which can be ordered from the IRS by calling 1-800-TAX-FORM (1-800-829-3676) or by visiting www.IRS.gov.

Examples of Qualified Medical Expenses Eligible for HSA Reimbursement

- ✓ Athletic Braces & Support
- ✓ Acupuncture
- ✓ Alcoholism treatment
- ✓ Annual Physical
- ✓ Baby thermometers
- ✓ Bandages
- ✓ Birth control pills (by prescription)
- ✓ Blood tests
- ✓ Braces
- ✓ Breast Pumps and supplies
- ✓ Children's First Aid
- ✓ Chiropractic
- ✓ Contact lenses
- ✓ Contraceptive devices
- ✓ Crutches
- ✓ Dental treatments
- ✓ Dentures
- ✓ Dermatologist
- ✓ Drug addiction therapy
- ✓ Eye Exams
- ✓ Eyeglasses
- ✓ Fertility Enhancements
- ✓ First Aid Kits
- ✓ Gynecologist
- ✓ Hearing aid and batteries
- ✓ Heating Pads & Wraps
- ✓ Hot & Cold Packs
- ✓ Hospital Bills
- ✓ Insulin treatment
- ✓ Lab Tests
- ✓ Operating Room
- ✓ Ophthalmologist
- ✓ Oxygen and Oxygen Equipment
- ✓ Pediatrician
- ✓ Postnatal treatment
- ✓ Premiums for COBRA coverage
- ✓ Prenatal Care
- ✓ Prescription medicines
- ✓ Psychiatrist
- ✓ Shoe Insoles & Inserts
- ✓ Sunscreen
- ✓ Therapy Equipment
- ✓ Vaccines
- ✓ Vaporizers & Inhalers
- ✓ Weight loss program
- ✓ X-rays

THINGS TO KEEP IN MIND

Although enrolling in and using a HSA can be easy, convenient and beneficial, you must be aware of the rules and regulations involved. The list below will answer many of the commonly asked questions about Health Savings Accounts. More details can be found at www.HRCTS.com or www.IRS.gov.

Eligibility

- You must be enrolled in a Federally-designated High Deductible Health Plan (HDHP).
- You must be a US citizen, Permanent Resident, or Resident Alien.
- You cannot be enrolled in Medicare.
 - ✓ When you become Medicare-eligible you can remain enrolled in the HDHP, but must stop your contributions to the HSA. However, you can still use the HSA for medical, dental and vision expenses.
 - ✓ You cannot be enrolled in a Flexible Spending Account (FSA) plan with your spouse. You may enroll in the HSA once the FSA plan ends.
- Expenses are eligible for reimbursement if incurred after the effective date of the HSA. This may be different than the effective date of your medical plan.

Reimbursement

- You do not have to submit receipts in order to receive a reimbursement. However, you will still need to keep receipts and documentation for each year's federal tax return (Form 8889 attached to Form 1040), as required by the IRS.
- You can make a withdrawal at any time. Reimbursement for qualified medical expenses are tax-free. If you become disabled, or reach age 65, you can receive non-medical distributions without penalty, but you must report the distribution as taxable income. You may also use your funds for a spouse or a dependent not covered under your HDHP.

Using an HSA with an FSA

You may submit expenses such as dental, vision, and eligible over-the-counter products, but cannot be reimbursed for expenses subject to their medical plan's deductible until after they have met the IRS's Minimal Level for a qualified high deductible health plan (HDHP).

Using an HSA with an HRA (Health Reimbursement Account)

There are three different types of HRA that will work alongside an HSA:

1. HRA that is limited to dental, vision, and/or preventative care expenses
2. HRA that may only reimburse expenses after the minimum portion of the HDHP deductible is met

3. Retiree HRA (*eligibility available once participant hits the age of 65*) that can only reimburse once an individual retires. Because an individual is no longer eligible for a HSA after retirement, they may have access to their Retiree HRA funds.

Timing

- Eligibility is determined on the 1st of each month.
- If you enroll in HDHP coverage mid-month, your HSA eligibility will begin on the first of the following month.
- You are eligible to begin contributing to your HSA on the first of the month following your enrollment date.

Status Changes

- If your HDHP coverage changes from single to family, the contribution can be increased on a prorated basis. In the months during which you were covered under a family plan, you're allowed to increase your contributions.
- If your HDHP coverage changes from family to single, you will need to adjust the contribution on a prorated basis to ensure you do not exceed the individual limit.
- The transfer of accrued interest in your HSA under a divorce or separation agreement is not taxable, as long as the recipient spouse or former spouse ensures that it is maintained as an HSA.

Transfers

- You can easily transfer an existing HSA balance or rollover an Archer Medical Savings Account (MSA) balance.
- To avoid taxation, a rollover must be completed within 60 days from the date of constructive receipt.
- You can only make one rollover every 12 months.

Beneficiaries

- If your spouse is your beneficiary, your HSA will be treated as their account after your death.
- If you choose someone other than your spouse as your beneficiary, the account stops being an HSA and the fair market value of the account becomes taxable to your beneficiary. You must also have your spouse's written consent that they will not be the primary beneficiary.

Enrollment is as easy as contacting your HR Department to discuss if you are eligible to enroll.