



How To Set-Up Your Health Savings Account (HSA)

TRUST ADMINISTRATORS, INC.

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Employee HSA - Employer Sponsored Plan



Setting-Up Your HSA

The Basic Steps . . .

- (1) Enroll in a High Deductible Health Plan - see accompanying pages for eligibility and making contributions to your Health Savings Account (HSA).
- (2) Complete the Enrollment Form along with your beneficiary information. Be sure to sign and date the Form.

The Form is available from your Human Resources Department or from TAI's website at www.trustadmin.com - see "HSA" or "Forms" section.

- (3) Return Enrollment/Beneficiary Form to your Human Resources Department. They will make copies for Trust Administrators and you.

The Advantage of Trust Administrators' HSA Service

- (1) Clear and concise HSA educational material. TAI has sifted through the HSA rules and regulations making the enrollment, reimbursement and investment of your HSA funds easy;
- (2) Knowledgeable and friendly staff. TAI has been one of the leading benefit administrators for over 20 years and has paid over \$200 million in pre-tax benefits since 1984;
- (2) Earn money market interest on all deposits. Rates fluctuate on a monthly basis with greater earnings on deposits above \$2,000;
- (3) TAI's integrated employee benefit platform enables employers to offer employees HSAs along with Flexible Spending Accounts (FSAs) and Health Reimbursement Arrangements (HRAs) under one seamless system.
- (4) Account fees generally paid by Employer. Review your enrollment material for fees or ask your employer about your specific plan;
- (5) Easy and fast claim reimbursement (e.g. direct deposit or included in your paycheck). For direct deposit, you must complete the form included with your HSA Enrollment;
- (6) Online Account Lookup - check your deposits, earnings and reimbursements 24/7. Please review your open enrollment information or ask your Human Resources Department for your Employer Access number and password.

Trustee Services

Mechanics Bank
1999 Harrison Street
Oakland, CA 94612

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Basic Eligibility Rules For Establishing Your HSA

Who Is Eligible?

- (1) Any person that has enrolled in a high deductible health plan (HDHP) - see HDHP definition below. Your HSA can be an HMO, PPO or indemnity plan, but you must enroll in your plan first. The plan can be for an "individual" or an "employee" if the plan is offered by your employer. Spouse and dependents may also enroll under a "Family" plan with access to the account for Family medical expenses, but children cannot establish HSAs;
- (2) You are not covered by other health insurance (see exceptions at "Other" Insurance);
- (3) You are under age 65, or if older than 65, have not elected Medicare Parts A or B;
- (4) You will not be claimed as a dependent on another person's tax return; and
- (5) Any income amount qualifies for HSA contributions.

What "Other" Insurance Is Allowed For HSA Eligibility?

You may have the following insurance or benefits:

- (1) workers' compensation or state disability;
- (2) specific disease or illness insurance;
- (3) accident, long or short-term disability, dental, vision, and long-term care insurance.
TAI Tip: Spouse may cover you in their dental or vision plan if you don't have coverage where you work;
- (4) Employee Assistance Programs and disease management or wellness programs which do not provide significant medical care or treatment;
- (5) Drug discount cards;
- (6) Eligible for VA Benefits (unless you received VA health benefits within the last 3 months).

Definition Of A High Deductible Health Plan (HDHP)

- (1) For 2005, an HDHP has an annual deductible of at least \$1,000 and a maximum of \$2,650 for individual coverage and at least \$2,050 for family coverage and a maximum of \$5,250. These are in-network amounts. Out of network deductibles could be higher; and
- (2) Maximum out-of-pocket expenses are capped at \$5,100 for individual coverage and \$10,200 for family coverage. Maximum out-of-pocket is usually the deductible plus coinsurance.

The above amounts are indexed for inflation each year.

How Much Can I Contribute To My HSA?

- (1) The maximum is your HSA in-network deductible: $\text{Annual Health Plan Deductible} \div 12 \times \text{Number of Months remaining in the Calendar Year} = \text{Maximum Contribution}$.

Example: You have a \$2,400 in-network deductible and you start your plan on July 1.
 $\$2,400 \div 12 = \$200 \text{ per month} \times 6 \text{ months} = \$1,200 \text{ for the balance of the year.}$

If your HSA is through your employer, contributions are usually made each pay period.

HSAs With Flexible Spending Accounts (FSAs) & Health Reimbursement Arrangements (HRAs)

You may still contribute to your HSA if the FSA or HRA are any of the following types:

- (1) "Limited Purpose" FSAs and HRAs that restrict reimbursements to certain permitted benefits such as vision, dental, over-the-counter drugs and supplies, and preventive care;
- (2) "Post Deductible" FSAs or HRAs that only provide reimbursement after the minimum annual deductible has been satisfied under the HDHP;
- (3) "Suspended" Employee declines health reimbursements during HSA coverage period; and
- (4) "Retirement" HRAs that only provide reimbursement after employee retires.

Check with your H.R. Dept for additional information regarding your contributions.

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Reports To Account Holder

- (1) Trustee reports to the Account Holder all distributions during the calendar year on Form 1099-SA. Copy A of the Form is for the IRS, Copy B is for the recipient and Copy C is for the Payor. The Form is coded for various types of distributions (normal distribution, excess contribution, disability, death, etc.);
- (2) Trustee reports to Account Holder all contributions made during the calendar year on Form 5498-SA; and
- (3) Employer contributions, if any, are reported in box 12 of Form W-2, Wage and Tax Statement, with code W.

Account Holder Reports To The IRS

- (1) Account Holder reports all HSA contributions on Form 8889 and filed with tax return (Form 1040). You may claim contributions from all sources except your employer;
- (2) Account Holder must report on tax return amount spent on qualified medical expenses; (follow Form 1040 instructions); and
- (3) If you use your HSA for nonqualified expenses or ineligible persons, that amount is subject to ordinary income tax and a 10% penalty tax.

Sample List of HSA Expenses

Acupuncture	Hypnosis for illness
Air Conditioner (allergy)	Indian Healing Rites
Ambulance Hire	Invalid Care
Artificial Limbs	In vitro Fertilization
Biofeedback	Lasik Eye Surgery
Birth Control Pills	Lip Reading Service
Chiropractors	Lodging @ \$50 a night
Christian Scientist	Marital Counseling
Circumcision	Massages (State Licensed)
Contact Lenses + Supplies	Medical Equipment
Co-Payments (office visits)	Mileage at 15 cents for 2005
Cosmetic Surgery (per Dr.)	Orthodontia
Deductibles (family)	Psychologists
Dental (crowns/bridges)	Seeing Eye Dog & Upkeep
Drugs (by prescription)	Smoke Cessation
Drug & Alcohol Rehab	Special Education
Eyeglasses + Exams	Special Plumbing (disabled)
Hair Transplants (per Dr.)	Telephone for deaf
Handicapped Schools	TMJ surgery/treatment
Health Club Dues (per Dr.)	Spa or Pool per Dr.
Hearing Devices	Vaccines
Herbalist (State Licensed)	Vitamins per Dr. (prenatal)
Holistic (State Licensed)	Weight Loss
Homeopathic (State Licensed)	X-rays

Sample List of Preventive Care Expenses

- (1) Drugs taken by a person who has developed risk factors for a disease that has not yet manifested itself or to prevent reoccurrence of a disease.
Example: Cholesterol-lowering medication for those with high cholesterol;
- (2) Screening services (e.g. mammograms);
- (3) Child and adult immunizations; and
- (4) Routine pre-natal and well-child care

Additional Government Information

- (1) IRS Tax Questions: 1-800-829-1040
Taxpayer Advocate: 1-877-777-4778
- (2) IRS Web: www.irs.gov/advocate
Treasury Web: www.treas.gov (click HSAs)
- (3) E-mail: HSAInfo@do.treas.gov
- (4) Voice mail: (202) 622-4HSA
- (5) IRS Publication 502 - Qualified Medical Expenses
IRS Publication 969 - HSAs And Other Tax-Favored Health Plans
- (6) IRS Forms: 1-800-Tax Forms
- (7) E-mail forms: taxforms@irs.gov
- (8) Employers: IRS Publication 15-B, Fringe Benefits

Sample Over-The-Counter Drugs and Supplies By Category Approved By The IRS

ANTACIDS: Alka-Seltzer, Amphojel, Anusol, Bromo Seltzer, Citrucel, Dulcolax, Ex-Lax, Fibercon, Fleets Enema, Gas-X, Maalox, Milk of Magnesia, Mylanta, Pepcid, Pepto-Bismol, Prilosec OTC, Roloids, Tagamet, Tums, Zantac

COLD-ALLERGY: Actifed, Afrin, Antihistamines, Benadryl, Chloraseptic, Chlor-Trimeton, Claritin, Cold-Eeze, Comtrex, Coricidin, Dimetapp, Drixoral, Nyquil, Robitussin, Sucrets, Sudafed, Suphedrin, Theraflu, Vics 44D

DIAGNOSTIC DEVICES: Blood sugar test kits, HIV test kits, Ovulation/Pregnancy test kits, Thermometers

MEDICAL EQUIPMENT: Beds (special needs), Breast pump, Crutches, Ionizer, Orthopedic shoes, Wheelchair

MEDICAL SUPPLIES: Ace "Elastic" bandage, Adhesive strips (Band-aids), Adhesive tape, Butterfly bandages, Cotton balls, Insulin, Q-tips, Nicotine Patch and Gum, Saline solution, Sterile gauze pads

OINTMENTS & TOPICAL TREATMENTS: (supplies): Alcohol ("isopropyl"), Bacitracin, Bactine, Caladryl, Calamine, Clearasil, Corn removal medicine, Cortaid ("hydrocortison"), Freezone, Gyne-Lotrimine, Hydrogen peroxide, Lanacain

PAIN RELIEVERS: Aspirin, Advil, Alleve, Anacin, Bayer, Bufferin, Cystex, Doans, Dramamine, Excedrin, Ibuprofen, Legatrin, Midol, Motrin, Naproxen, Pamprin, Tylenol