

Insurance coverage provided by or through: United HealthCare Insurance Company, United HealthCare Insurance Company of New York, or their affiliates.

Administrative services to self-funded plans provided by United HealthCare Services, Inc., United HealthCare Insurance Company, or United HealthCare Service LLC.

Health Plan coverage provided by or through: United HealthCare of Alabama, Inc., United HealthCare of Arizona, Inc., United HealthCare of Arkansas, Inc., United HealthCare of Colorado, Inc., UnitedHealthcare of Florida, Inc., United HealthCare of Georgia, Inc., UnitedHealthcare of Illinois, Inc., United HealthCare of Kentucky, Ltd., United HealthCare of Louisiana, Inc., UnitedHealthcare of the Mid-Atlantic, Inc., United HealthCare of the Midlands, Inc., United HealthCare of the Midwest, Inc., United HealthCare of Mississippi, Inc., UnitedHealthcare of New England, Inc., UnitedHealthcare of New Jersey, Inc., UnitedHealthcare of New York, Inc., UnitedHealthcare of North Carolina, Inc., United HealthCare of Ohio, Inc., United HealthCare of Tennessee, Inc., UnitedHealthcare of Texas, Inc., United HealthCare of Utah, UnitedHealthcare of Wisconsin, Inc.




UnitedHealthcare®

A UnitedHealth Group Company



Health Savings Account Pocket Guide

Key Facts About iPlan[®] HSA
from UnitedHealthcare



A Health Savings
Account sounds
like it could be
a smart idea.
But what is it?

An iPlan HSA from UnitedHealthcare is a high deductible health plan combined with a tax-advantaged Health Savings Account (HSA).

iPlan HSA is designed to give you more control of your medical expenses and more choice in your health care decisions to help you reduce health care costs. The plan also provides you with tools, services and resources to help you make better health care decisions.

Unlike PPO or HMO plans, you will have more direct responsibility for your health care costs through your deductible and out-of-pocket payments (most or all of which can be covered by the funds you accrue in your health savings account). By getting closer to how health care dollars are spent and how decisions are made, you can better control your own health care.

You and/or your employer can contribute to your iPlan HSA. If you contribute, you don't pay taxes on your contribution or the interest it earns, as long as the money is spent on qualified health care expenses. You can take your HSA with you if you change jobs, because it is your money.

But what is an iPlan HSA? What are all the ins and outs of using it? Is it really tax advantaged? What's the right way to use it, the best way?

We hope the following series of questions and answers will help you stay informed as you make your decision on which medical insurance plan is right for you and your family. Keep this guide handy once you've selected iPlan HSA as your medical insurance provider to help answer any questions in the future.

Some of the most frequently asked questions are addressed, but if any of our answers raise more questions, please feel free to contact Customer Care at 1-800-791-9432 or at the number on the back of your medical ID card to get the information you need.



TABLE OF CONTENTS

01 iPlan Health Savings Account

03 Eligibility

04 Tax Benefits

04 Reports

05 Fees

05 HSAs & High Deductible Health Plans

05 Withdrawals and Reimbursements

08 Deposits

10 More Important Questions & Answers

iPlan Health Savings Account (HSA)

What is a Health Savings Account (HSA)?

It's an interest-bearing account created to help you pay medical expenses. An HSA is designed to work with a high deductible health plan. The funds in your HSA can be used to help pay your deductible, coinsurance and any medical expenses not covered by your health plan. All of the money you contribute is tax-deductible when used to pay for qualified medical expenses. An HSA is your account. It goes with you if you change jobs or when you retire.

What is a “high deductible” health plan?

It's a health insurance plan with minimum annual deductibles and maximum out-of-pocket limits. The Internal Revenue Service (IRS) determines the requirements of a qualifying high-deductible medical plan and these requirements are subject to change.

Example

Single

Minimum Deductible	\$ 1,000
Maximum Out-Of-Pocket Limits	\$ 5,100

Family

Minimum Deductible	\$ 2,000
Maximum Out-Of-Pocket Limits	\$10,200

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

How does your iPlan HSA work?

Health Savings Account, funded pre-tax by you and/or your employer.

You can use it to pay for qualified medical expenses that are not covered by your plan, or for qualified medical expenses that are covered by your plan but not eligible for reimbursement because you have not reached your deductible or they are subject to a copayment or coinsurance.



Gap between your HSA balance and the deductible amount, if the funds accrued in your HSA do not fully fund your deductible. If your medical expenses exceed your HSA balance, you are fully responsible for paying the gap amount.



Medical insurance coverage. Once you meet your deductible, your medical insurance will pay most of the cost for covered expenses. You are responsible for coinsurance, or the remainder of the charge. However, your iPlan HSA is subject to an out-of-pocket maximum so once you've paid up to the maximum amount, your plan pays 100% for qualified medical expenses.

What is a “deductible”?

It's what you pay, out of your pocket or from your HSA account, before your health insurance plan starts paying for covered medical services.

Why would you want a deductible? Because you can save on the overall cost of your benefit plan. Generally, the higher the deductible, the less you pay each month towards your health insurance coverage.

What happens if you have money left in your HSA at year-end?

The money is yours to keep. Whatever funds you don't spend in one year remain in your account, earn interest and are available for the next year.

Can your HSA be used for retirement health care costs?

Yes, for qualified health care expenses.

Eligibility

Who can open an HSA?

Anyone who is:

- Covered by a high deductible health plan
- Not covered under another health plan that is not a high deductible health plan (*including a plan your spouse may have where he/she has selected family coverage*)*
- Not enrolled in Medicare
- Not eligible to be claimed on another's tax return

* *There are exceptions: insurance coverage for accidents, dental care, disability, long-term care, and vision care do not disqualify you from opening an HSA.*

If you have workers' compensation benefits, specified disease or fixed indemnity coverage, you can also open an HSA.

Can your spouse have an HSA?

Yes, provided he or she is covered under a high deductible health plan. If both spouses have HSAs, the maximum tax-deductible account contribution limit is the lowest deductible amount divided equally between the spouses unless they agree on a different division. The family coverage limit is reduced further by any contribution to an Archer MSA. However, both spouses may make catch-up contributions for individuals age 55 or over without exceeding the family coverage limit.

Can a domestic partner have his/her own HSA?

Yes, provided he or she is covered under a high deductible health plan. Note that different plans/insurers have different rules with respect to covering domestic partners. Further, there may be certain tax consequences associated with coverage of domestic partners, and you should consult your tax advisor if you have a domestic partner and are considering an HSA.

A domestic partner's claims cannot be covered under an employee's HSA without incurring a tax consequence, unless the domestic partner qualifies as a dependent for tax purposes.

Tax Benefits

What are the tax benefits of an HSA?

Your HSA can be tax-advantaged in three ways:

1. Cash contributions you make to an HSA during a tax year are deductible from your federal gross income. Contributions made through payroll deduction are made pre-tax. Contributions made by your employer also are not to be included in your gross income.
2. Interest earnings are tax-deferred – and you will never pay federal taxes on them if you eventually spend the money on qualified medical expenses.
3. Withdrawals from your HSA for qualified medical expenses are free from federal income tax.

So what exactly is a “qualified” medical expense?

It is an expense for medical care as defined by IRS Code Section 213(d), which states that *the expense must be primarily to alleviate or prevent a physical or mental defect or illness*. Many expenses for medical care will fall under this Code Section.

Examples of appropriate qualified expenses:

- Prescription Drugs
- Physician office visits
- Durable medical equipment
- Physical therapy
- Birth control pills
- Chiropractor services
- Vision and dental care

However, some expenses do *not* qualify. For example:

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

And HSA money cannot generally be used for insurance premiums. (See page 8 for exceptions.)

Reports

Will you get printed reports on your HSA?

Through www.myuhc.com, you'll have access to an online statement showing deposit and withdrawal activity along with your account balance. A monthly statement can also be sent to you at your request.

Fees

Are there maintenance fees on the HSA?

As with other bank accounts, your HSA will have some associated fees. Please refer to your benefit plan descriptions or go online to www.myuhc.com for any fees associated with your account.

HSAs and Medical Plans

How do HSAs and Medical Plans work together?

After visiting a physician, facility or pharmacy, UnitedHealthcare will process the claim according to your high deductible health plan. You are responsible for making payment to your physician, facility or pharmacy for your out-of-pocket expenses (deductibles or coinsurance) for health care services at the time they are received. You can use the money in your HSA to pay for these expenses or save your funds for the future. The choice is yours. Once your deductible is satisfied, your medical insurance will begin to reimburse for covered medical services.

Withdrawals and Reimbursement

How do you withdraw money from your UnitedHealthcare iPlan HSA bank account?

You can either pay your qualified medical expenses (see page 4) directly from your HSA bank account to your physician, facility or pharmacy or pay from your own funds and reimburse yourself from your HSA bank account. There are four ways to pay your expenses directly from your HSA bank account:

- Use your Health Savings Account MasterCard[®] Debit Card to pay your physician, pharmacy or health care facility
- Use your card to withdraw money from your account via an ATM
- Write a check (An initial supply of convenience checks will be included in your welcome kit.)
- Pay your bills online, as you might from your personal bank account, through www.myuhc.com (available after the effective date of your plan)

What do you do if payment is requested at the time of service by your physician or health care facility?

If your physician or health care facility is in UnitedHealthcare's network, you should request that they submit a claim to UnitedHealthcare first. The Explanation of Benefits they receive will indicate exactly what you owe, under the "Total Patient Responsibility" heading, so they can bill you the correct amount. You can then pay your physician or facility when they send you an invoice, using any of the payment options noted on page 5.

What should you do if your network physician or facility still requires payment at the time of service even though you have asked that they submit the claim to UnitedHealthcare first?

In this case, the physician or facility should charge you the discounted rate negotiated with UnitedHealthcare. You should pay using one of the payment options noted on page 5. Once UnitedHealthcare sends you an Explanation of Benefits (EOB), or you view your claims online, the amount you owe is indicated under "Total Patient Responsibility." If you paid an amount that is more than that indicated on your EOB, the doctor or facility is responsible for refunding the difference to you. To correct your HSA balance and ensure that your total medical expense withdrawals are accurate, you should deposit the refunded money back into your HSA. If you paid less, the doctor or facility will bill you for the amount you still owe and you can pay them using one of the convenient methods for withdrawing money from your account. If you need assistance with any part of this process, please call Customer Care (at 1-800-791-9432) or at the number on the back of your medical ID card.

What if no payment is requested at the time of service?

We will process the medical claim submitted on your behalf and send the physician an Explanation of Benefits. This information also is available for you to view online at www.myuhc.com. You can then pay your physician or facility when they send you a bill for the amount you owe – the "Total Patient Responsibility" indicated on the EOB.



When can you start to use the funds in your HSA?

You can use the funds in your HSA as soon as they are contributed and available. You are 100 percent vested, meaning the funds are yours and you have total control over your account. Keep in mind that if your employer also makes contributions for you, they can determine their contribution schedule – weekly, monthly, yearly etc. Please check your benefit plan materials to see what their contribution schedule will be.

When you withdraw funds from your HSA, what information do you need to keep?

Save all receipts and records of withdrawals for tax reporting to the IRS. If you use your funds for non-health related expenses, you must report those withdrawals accordingly. It is important for you to remember that you—not your employer—are responsible for maintaining all records associated with your HSA.

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

Yes, if the expense is qualified and is not reimbursed by another health plan. Qualified medical expenses include non-reimbursed medical expenses of the account holder, his or her spouse, or dependents. Dependents are those declared as such on your income tax return.

What about withdrawals for non-medical expenses?

They are considered taxable income and also subject to a 10% tax penalty. But there are exceptions. The tax penalty does not apply if the withdrawal is made after you:

- Reach age 65
- Become completely and permanently disabled
- Die

Can you use your HSA to pay health insurance premiums?

No, that would be considered a non-medical expense and would be subject to taxes and penalty.

Exceptions: No penalty or taxes will apply if your HSA is used to pay premiums for:

- Qualified long-term care insurance
- Health insurance while you are receiving federal or state unemployment compensation
- Continuation of coverage plans, like COBRA, as allowed under federal or state law
- Health insurance after you turn 65, not including Medicare supplemental insurance

Who administers your iPlan HSA account?

Administrative services are provided by Exante Bank, which has been chartered by UnitedHealth Group exclusively to serve the health care market. Available cash balances up to \$100,000 are insured by the Federal Deposit Insurance Corporation.

Deposits

What are your tax deductible contribution limits?

Federal law states that annual contribution limits are equal to the lesser of: 1) your annual deductible; or 2) \$2,600 for single coverage and \$5,150 for family coverage for 2004.

Note: If you're 55 or over you may contribute an additional \$500 for tax year 2005, \$600 for 2006, \$700 for 2007, \$800 for 2008, \$900 for 2009 and \$1,000 for 2010 and thereafter. These and other limits are subject to change by the IRS.

If you enroll in a qualified high deductible health plan during the year, these contributions are prorated on a monthly basis. For example, if you enroll in iPlan HSA in July, you would have a first-year contribution limit equal to 50% of your annual HSA maximum because you would be covered under a high deductible health plan for 6 months. So, if your annual family deductible is \$3,000 and if you started the HSA in July, you could only contribute a maximum of \$1,500 to your HSA that year.

Excess contributions: If your contributions should exceed the amount you can legally deduct/ exclude from your taxes, the excess is taxed as ordinary income and subject to a 6% penalty.

How to avoid penalties: Withdraw any excess contributions and interest on those contributions before the tax-filing deadline.

How do I make contributions to my HSA?

You can make a contribution to your HSA:

- Through payroll deduction—if your employer offers this option for your HSA, you can request that your employer deduct a set amount from your paycheck
- By mailing a deposit with a contribution form, Forms are available by calling **1-800-791-9432** or at www.myuhc.com after your plan effective date

Can you make lump-sum deposits?

Yes. Lump-sum deposits will be applied to the tax year they are received unless a different tax-year is noted on the deposit form.



Who can contribute to the HSA?

Based on your medical plan design, you, your employer or others can contribute to your HSA. Please check your medical plan materials for your plan's specific funding options.

When do you contribute to your HSA?

You can begin sending contributions to your HSA as soon as your account has been opened. You will know your account has been opened once you receive a welcome letter from Exante Bank.

How often can you contribute?

You can contribute as frequently, or as much, as you wish, provided your total contribution does not exceed the limits specified by the IRS.

More Important Questions and Answers

Who is responsible for the security of the money in your HSA?

iPlan HSA and UnitedHealthcare. The money is held in a custodial account with administrative services provided by Exante Bank.

What happens to your HSA if you leave your employer?

All funds contributed to your HSA, even the money contributed by your employer, are yours to keep. You can:

- Keep your HSA at Exante Bank
- Transfer your funds to an HSA with your new employer
- Transfer your funds to another qualifying account within 60 days.

If you do not retain your funds at Exante Bank or transfer them to another qualifying account within 60 days, the funds are taxable and likely subject to the additional 10 percent penalty.

Are there adjustments for inflation?

Yes, the law governing HSAs requires an annual cost of living adjustment based on changes in the CPI. This calculation, rounded to the nearest \$50 increment, affects minimum and maximum deductible and out-of-pocket amounts, and the maximum annual HSA contribution limits.

Can you contribute to both an HSA and a Flexible Spending Account?

Yes, although IRS regulations restrict what can be covered under an FSA when it is offered along with an HSA. For example, if you are covered by a high deductible health plan with an HSA, you may be able to participate in a health care FSA only if it is limited to services not covered under your medical plan. Please consult your benefit plan or your tax advisor for more information.

Can you have an HSA and an IRA?

Yes.

Can your HSA money be rolled into an IRA?

Not without incurring tax consequences. The only way to avoid those would be to roll it into another qualified HSA.

What happens to your HSA if you die?

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

What happens if you are no longer covered by a high-deductible medical plan?

If you are no longer covered by a high-deductible medical plan, you cannot continue to contribute to your HSA. However, the account is still yours and you can use the money or save it for future expenses.

What would cause your HSA to terminate?

Exante Bank will close your HSA bank account at your request.

Who do you ask if you have other questions?

If you have questions about iPlan HSA, please feel free to contact Customer Care at **1-800-791-9432** or at the number on the back of your medical ID card to get the information you need.