

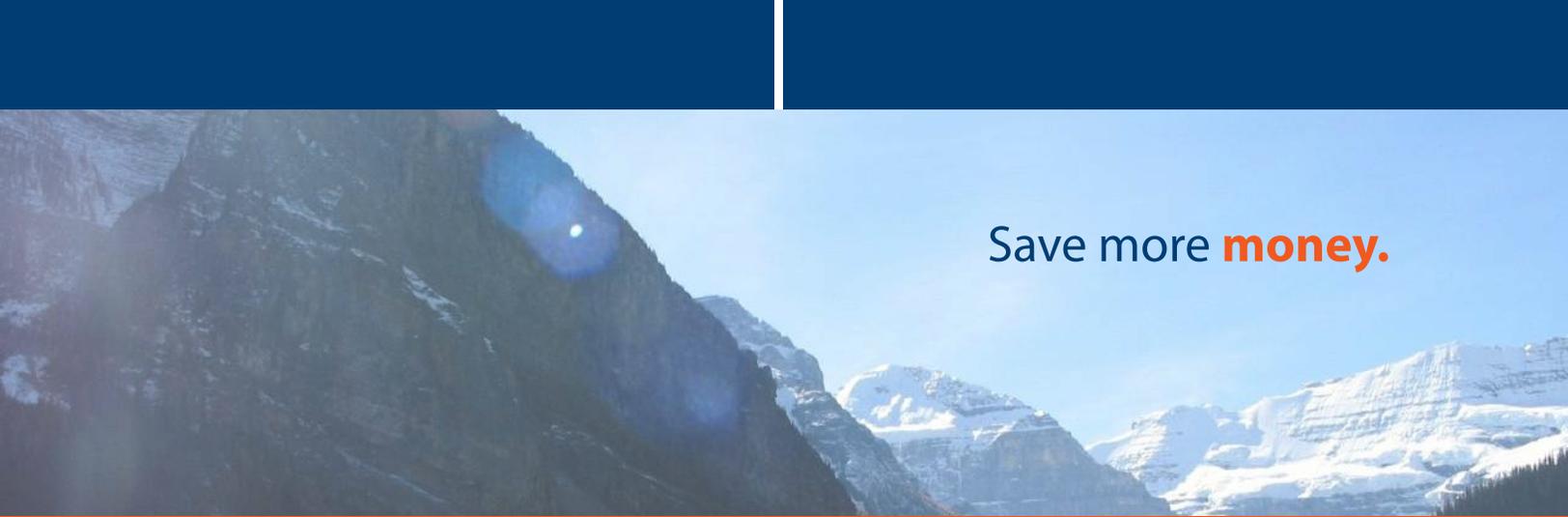
**eflexHSA**

Health Savings Account

Your health. Your money. **Your control.**



**eflex**



Save more **money.**

## Health Savings Account (HSA)

If you want more spendable dollars from your paycheck, you'll love the eflex Health Savings Account (HSA). The eflexHSA, used in combination with a qualifying High Deductible Health Plan (HDHP), offers you a new way to control health care costs. You and your employer can build the account. Each of you can put money into the eflexHSA for current and future medical expenses.

### Do you Qualify?

You, your spouse, and any other tax dependents are covered by the eflexHSA if you have a qualifying HDHP. Medicare and a General Purpose Flexible Spending Account (FSA) are not considered eligible.

Before enrolling, review current HSA limits to ensure your health insurance policy meets the requirements of a qualified HDHP.

### The Benefits

- **Stays with you.** It's your money even if you change jobs. Your money continues to grow tax-free.
- **No "use it or lose it" conditions.** Your money rolls over into the next year.
- **Reduces your taxable income.** The money remains tax-free when you deposit and withdraw for qualified medical expenses.
- **Pays for insurance deductibles,** medical care and supplies that are not typically covered by medical insurance, like ophthalmology, dentistry, and vision.
- **HSA allows you to choose** the cash threshold that best fits your needs.

### Overall 2014 Limits

#### Maximum HSA Contribution

- \$3,300 for individuals
- \$6,550 for families

This contribution can be made regardless of the deductible.

#### High-Deductible Health Plan Requirements

##### *Minimum Deductible:*

- \$1,250 for individuals
- \$2,500 for families

##### *Out-of-Pocket Maximum:*

- \$6,350 for individuals
- \$12,700 for families

### What to Expect

1. Open enrollment will begin on \_\_\_\_\_ and end on \_\_\_\_\_.
2. Complete your enrollment form.
3. On the first pay period of your plan year, your contribution will be deposited into your eflexHSA.
4. Request disbursements at anytime. Be sure to save any receipts in case of an IRS audit. We offer an online Storage Chest to help store and keep track of your receipts.

## How it Works

You and your employer can deposit money into your eflexHSA for current and future medical expenses.

You can then use the eflexHSA funds to pay for insurance deductibles and medical care/supplies not typically covered by medical insurance, such as dentistry, ophthalmology, over-the-counter drugs and more.

To open an eflexHSA, you must first be covered by a qualified High Deductible Health Plan (HDHP). The insurance policy works hand-in-hand with your eflexHSA to cover high-cost medical expenses.

With the eflexHSA, payment goes directly to you. Plus, there's no time limit for reimbursement—just save any receipts for your tax records.

The money in the eflexHSA is yours to invest. It grows tax-free until you withdraw it, without penalty at age 65 (ordinary income tax applies).

Even if you're no longer covered under an HDHP, your eflexHSA remains active, you just won't be able to contribute funds. You can still use the remaining balance for medical expenses.

## Online Services

### Employee

- Account lookup
- Distributions to you via direct deposit or check
- Distributions directly to your provider
- Recurring distribution option
- Storage Chest for receipts
- Beneficiary changes
- Investments

### Debit Card

You'll receive an eflex debit card to use for eligible medical expenses at no additional cost.

Simply swipe the card at the time of purchase, and funds are automatically withdrawn from your eflexHSA and paid directly to the provider.



As simple as **swiping a card.**

# Choose your own path.



## eflexHSA with a FSA

As long as the Flexible Spending Account (FSA) is limited to dental, vision, and post deductible expenses, you may have a Limited Purpose FSA along side the eflexHSA. If you participate in a General Purpose FSA through your employer or your spouse's employer, you aren't eligible for an HSA.

## eflexHSA with a HRA

There are three different types of Health Reimbursement Arrangements (HRAs) that work alongside an eflexHSA:

1. HRA limited to dental and vision.
2. HRA that may only reimburse expenses after the HDHP deductible is met.
3. Retiree HRA that can only reimburse after an individual retires.

If you participate in a General Purpose HRA through your employer or your spouse's employer, you're not eligible for an HSA.

## Beneficiary Designation

You must designate a beneficiary when enrolling, which you can change at any time. If your spouse is your beneficiary, your eflexHSA will be treated as his/her HSA 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.

If you don't choose a designated beneficiary, the fair market value of your account will be added to your last income tax and estate tax return.

If your HDHP coverage changes from single to family coverage, the contribution can be increased on a prospective basis. In the months where you're covered under a family plan, you're allowed to increase your contributions.

If your HDHP coverage changes from family to single coverage, you'll need to adjust the contribution on a prorated basis to ensure you don't contribute more than you're allowed.

## Divorce

The transfer of your eflexHSA interest to your spouse or former spouse under a divorce or separation agreement isn't a taxable transfer. Your recipient spouse or former spouse can continue to avoid taxation on the account as long as it's maintained as an HSA.

## Contributions

You may start contributing to your eflexHSA the first of the month following the effective date of your HDHP. You can contribute up to the IRS maximum as long as you open your eflexHSA by December 1st.

If you contribute the full year maximum in December, you must remain eligible for the eflexHSA for 12 months. If you become ineligible, contributions for the months you're not eligible will be taxed and a 20% penalty will apply.

If you're 55 years of age or older during the calendar year, you may make an additional "catch-up" contribution. The amount of the catch-up contribution is \$1,000. Once you're covered by Medicare, you may no longer make contributions to your eflexHSA.

## Three Ways to Make Contributions

### Direct

Make contributions throughout the year on a schedule that fits your budget. Total contributions for the year are taken as a deduction on your tax return. You don't need to itemize to receive this deduction.

### Pre-tax Salary

Pre-tax salary deductions are exempt from most state, FICA and FUTA taxes, as well as federal income tax.

### Employer

Employer contributions are made directly to your eflexHSA by your employer. These contributions are excluded from your federal income and employment taxes.

**You and your spouse may each have an HSA if you both have a qualifying HDHP.** If you have family HDHP coverage, the maximum contribution is split equally unless you and your spouse agree on a different division. You can contribute to more than one HSA, but the total amount of all HSA contributions can't exceed the annual limit.

## Non-eligible Contributions

Contributions made to an HSA for an ineligible individual won't qualify for the tax benefits applicable to HSA contributions. In this case, you won't be eligible for a tax deduction for any contributions attributable to the period during which you weren't an eligible. In addition, you may also be subject to a 6% excise tax if the impermissible contributions and any attributable earnings aren't removed from the HSA within the time allowed for corrections.

## Rollovers/Transfers from an Existing HSA

You can easily transfer or rollover an existing HSA balance or an Archer Medical Savings Account (MSA) balance. Simply complete and submit the appropriate forms to eflex. Forms can be found at [eflexgroup.com](http://eflexgroup.com).

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.

## Contributing Too Much

An excise tax of 6% for each tax year is imposed on you for excess contributions. If, however, the excess contributions for a tax year and the net income attributable to these excess contributions are withdrawn from the account and returned to you or your employer before the tax return deadline, including extensions, then the excise tax doesn't apply. The withdrawal of the excess contribution is not taxed. However, the earnings on the excess contribution are taxed.

## Non-qualified Distributions

Non-qualified distributions will add to your gross income. In addition, they're generally subject to an additional 20% penalty, unless the distribution is made after death, disability or when you reach age 65.

## Reimbursement/Withdrawal

You can make a withdrawal at any time. Reimbursements for qualified medical expenses are distributed tax-free. If you're 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 eflexHSA funds for a spouse or dependent not covered under your HDHP.

Simply request your distribution online by visiting [www.eflexgroup.com](http://www.eflexgroup.com). eflex will base payment on available funds in the eflexHSA account. Funds will be sent via direct deposit to your checking or savings account within five days from the date of the request.

## Taxes/Substantiation

You don't have to submit receipts to receive your reimbursement. However, you need to keep receipts and documentation for each year's federal tax return (Form 8889 attached to Form 1040.) Each year, eflex will send you Form 1099-SA (showing your distributions) and Form 5498-SA (showing your contributions). Form 1099-SA is sent by January 31 and Form 5498-SA is sent the end of May each year.

The comparability rule requires employers to make comparable contributions for the calendar year to HSAs of comparable employees who are "eligible individuals," namely those enrolled in an HDHP. Comparable means equal dollar amount or equal percentage of deductible.

Highly compensated and non-highly compensated employees aren't considered comparable which allows for differing contribution amounts by the employer. Matching contributions or requiring that employees participate in a wellness program to receive contributions doesn't comply with the comparability rule.

If an HSA is offered inside the employer's cafeteria plan, the comparability rule no longer applies. Section 125 discrimination rules apply instead. Matching contributions are allowed as long as they meet Section 125 discrimination rules.

Contributions to HSAs made on behalf of employees are allowed as a tax deduction to the employer for the taxable year in which contributions are made. Contributions made by the employer or by the employee through a cafeteria plan are excludable from gross income, are not subject to withholding for income tax, and are not subject to other employment taxes (e.g., Social Security or Medicare taxes).

Even though contributions aren't taxable to the employee, employers are required to report the amount of the HSA contribution on employee W-2 forms.

**Reimbursements for qualified medical expenses are distributed tax free, so you may withdraw funds at any time.**

## Eligible Expenses

You can get reimbursement under your eflexHSA for expenses for the diagnosis, cure, mitigation, treatment or prevention of disease and for treatments affecting any part or function of the body. Expenses must be primarily to alleviate or prevent a physical or mental defect or illness. Expenses solely for cosmetic reasons generally aren't expenses for medical care. Also, expenses that are merely beneficial to your general health aren't eligible. Examples of eligible expenses include:

- Acupuncture
- Ambulance
- Artificial limbs
- Artificial teeth
- Birth control (pills, condoms, spermicides)
- Braces
- Chiropractor's fees
- Contact lenses and solution
- Crutches
- Dental fees
- Diagnostic fees
- Eye exams and eyeglasses
- Guide dog
- Hearing aids and batteries
- Hospital services
- Immunizations practitioners' fees
- Insulin
- Laboratory fees and X-rays
- Nursing services
- Medical services
- Operations
- Organ transplants
- Osteopath
- Oxygen
- Prescription drugs
- Psychiatric care
- Psychoanalysis
- Psychologist
- Wheelchair

## Cost Comparisons

### Low Medical Costs

Connie's family of four has medical expenses typical of a young family, which includes occasional doctor visits and prescription drugs.

### Plan components with a typical, low deductible plan

- \$250 deductible
- 80% coinsurance
- \$1,000 out-of-pocket max
- \$10 office visit co-pay
- \$10 generic drug co-pay
- \$25 brand name drug co-pay

Expenses with a Low Deductible Plan	
6 office visits with a \$10 co-pay per visit	-\$60
3 brand-name prescription drugs; \$25 co-pay per drug	-\$75
3 generic-name prescription drugs; \$10 co-pay per drug	-\$30
<b>Total out-of-pocket expense</b>	<b>-\$165</b>

### Plan Components with an HSA

- \$3,000 family deductible
- No coinsurance
- \$3,000 out-of-pocket max (same as the deductible)
- No co-pays

Expenses with an HSA	
Premium saving with High Deductible Health Plan	+\$1,800
Coinsurance for 6 office visits	-\$330
Prescription drugs	-\$225
<b>Total out-of-pocket expense</b>	<b>+1,245</b>

See IRS Publication 502, Medical and Dental Expenses, for a detailed list. A copy of the Publication can be found online at [www.irs.gov](http://www.irs.gov). You may also make tax-free withdrawals from the HSA to pay for insurance premiums for Medicare (except Medicare Supplement policies), long-term care coverage, health coverage while receiving unemployment benefits or health care continuation coverage required by federal law (known as COBRA coverage). You cannot request reimbursement for expenses incurred before successfully enrolling in an HSA. HSAs may reimburse long-term care insurance premiums limited to the adjustment amounts under section 213(d) (10), even when the HSA is offered through a cafeteria plan.

## Ongoing High Medical Costs

Steve has high blood pressure, hyperthyroidism, mild depression, and takes allergy medications. His medical expenses include regular office visits and regular prescription drugs.

### Plan components with a typical, low deductible plan

- \$250 deductible
- 80% coinsurance
- \$1,000 out-of-pocket max
- \$25 office visit co-pay
- \$10 generic drug co-pay
- \$25 brand name drug co-pay

Expenses with a Low Deductible Plan	
12 office visits with a \$25 co-pay per visit	-\$300
Coinsurance for covered services	-\$1,000
12 brand name prescription drugs; \$25 co-pay per drug	-\$300
12 generic name prescription drugs; \$10 co-pay per drug	-\$120
<b>Total out-of-pocket expense</b>	<b>-\$1,720</b>

### Plan Components with an HSA

- \$3,000 family deductible
- No coinsurance
- \$3,000 out-of-pocket max (same as the deductible)
- No co-pays

Expenses with an HSA	
Premium saving with High Deductible Health Plan	+\$1,800
Covered expenses up to the deductible	-\$3,000
<b>Total out-of-pocket expense</b>	<b>-\$1,200</b>

Since the original \$1,800 in savings is deposited in an HSA, it's tax exempt. Steve is in the 25% tax bracket, so he saved \$450 in taxes on this money. His total out-of-pocket expense is down to \$750.

## Major Medical Event

John was in an accident that requires surgery and an extended hospital stay. His medical expenses include hospitalization, surgery and prescription drugs.

### Plan components with a typical, low deductible plan

- \$250 deductible
- 80% coinsurance
- \$1,000 out-of-pocket max
- \$10 office visit co-pay
- \$10 generic drug co-pay
- \$25 brand name drug co-pay

Expenses with a Low Deductible Plan	
6 office visits related to surgery; \$10 co-pay per visit	-\$60
Surgery expenses up to the deductible	-\$250
Hospital expenses up to the out-of-pocket maximum	-\$1,000
6 prescription drugs related to surgery; \$25 co-pay per drug	-\$150
<b>Total out-of-pocket expense</b>	<b>-\$1,460</b>

### Plan Components with an HSA

- \$3,000 family deductible
- No coinsurance
- \$3,000 out-of-pocket max (same as the deductible)
- No co-pays

Expenses with an HSA	
Premium saving with High Deductible Health Plan	+\$1,800
Surgery expenses up to the deductible	-\$3,000
<b>Total out-of-pocket expense</b>	<b>-\$1,200</b>

Since the original \$1,800 in savings is deposited in an HSA, it's tax exempt. John is in the 25% tax bracket, so he saved \$450 in taxes on this money. His total out-of-pocket expense is down to \$750.

*The Health Savings Account (HSA) information provided in this document is not intended as legal or tax advice. HSAs are authorized by federal legislation. State and/or federal laws could be passed in the future which may affect the tax benefits of an HSA. Tax benefits may also be affected by failure to comply with eligibility and distribution requirements. You should refer specific questions about federal and state tax ramifications, as they relate to your particular circumstances, to your tax advisor.*



“Superior service and innovative thinking is the kind of forethought that’s made eflex one of the nation’s leaders in self-service administration.”

## About Us

eflexgroup, Inc. is a national administrator of consumer-driven health plans. Founded in 2000 on the idea that administration of benefits should be easier, eflex is a different kind of administrator. With a customer focus and Lean Six Sigma quality tools, we’re creating the highest standards for customer service and innovation in the industry.

Superior service and innovative thinking is the kind of forethought that’s made eflex one of the nation’s leaders in self-service administration.

We also use a personal touch with our rapid-response call center, live chat and online account review for employers and employees. Operating under the standards of fast answers, fast payments, and web self-service, eflex is creating the highest standards for customer service and innovation in the consumer-driven health market.

We provide a toll-free Customer Service telephone number (877-933-3530) with a ‘live’ customer service representative 24-hours a day, 7 days a week. Our standard customer service hours are 7:00 a.m. to 7:00 p.m. CT, Monday through Friday, and also employ a Madison-based outside call center to assist with overflow during peak business and when our office is closed (7:00 p.m. to 7:00 a.m., Monday through Friday, and 24 hours on Saturday and Sunday).

We feel it is important that you reach a live person when calling our customer service center. Our outside call center staff is trained to respond to simple inquiries, such as claims status or account balances. For more detailed account inquiries, call center representatives will forward requests to eflex staff for follow up the following business day.

In addition to our toll-free customer service lines, we offer a number of ways to get fast answers 24-hours a day:

- Email
- FAQs
- Online Account
- Live Chat
- IVR
- Mobile App

For Spanish-speaking callers, we employ three full-time staff members with fluency-level Spanish speaking capabilities.

We created our Website to allow employees and employers to self-service their accounts and perform essential functions when it’s convenient for them. We also offer seamless administration across our product lines so employees have complete access to all their benefits accounts.

At eflex, our goal is to exceed your expectations. Our core competencies are fast answers, fast payments and web self service. We stand behind these core competencies and can prove our service metrics at any time. In fact, we post them daily on our website. Visit us at [www.eflexgroup.com](http://www.eflexgroup.com).

# *eflex*



**Questions?** Visit our website at  
[eflexgroup.com](http://eflexgroup.com) or call us at  
877.933.3539