



**GUIDE TO YOUR
HEALTH SAVINGS
ACCOUNT**



Take healthcare matters into your own hands.

When you're enrolled in a High-Deductible Health Plan (HDHP), save more by taking advantage of a Health Savings Account (HSA), which lets you use tax-free dollars to pay for medical expenses.

This combination gives you ultimate control over how you spend your healthcare dollars.

Start with an HDHP

HDHPs offer protection from catastrophic or major medical expenses. These plans have a cap on how much you pay out of pocket and many fully cover preventive services to keep you healthy. HDHPs are relatively inexpensive compared to comprehensive plans.

Add an HSA

When you have an HDHP, you can set aside money in a tax-free account to pay your out-of-pocket costs.

Once you meet your deductible, your health plan kicks in. Any money left over in your HSA remains yours, allowing you to grow your funds over time.

HSAs resemble individual retirement accounts.

Think of an HSA as a medical IRA. The similarities include:

- Deposits are tax-free and your money grows tax-free.
- You can withdraw funds for qualified medical expenses anytime, tax-free.
- You decide how to invest and grow your money.
- When you reach age 65, you can withdraw your money without penalty and use it for whatever you want.

Get started today. It's a great perk from your employer, and it'll save you money.

Health Savings Account

Contribute tax-free • Grow your funds tax-free • Spend tax-free

Benefits of an HSA

- You choose how much to set aside for healthcare expenses, up to the IRS maximum. Currently at:
 - **2017:**
 - \$3,400 for single HDHP coverage*
 - \$6,750 for family HDHP coverage*
 - **2018:**
 - \$3,450 for single HDHP coverage*
 - \$6,900 for family HDHP coverage*
- It reduces taxable income — Deposits are taken out of your paycheck before income tax is calculated, and withdrawals for qualified medical expenses are tax-free if an HSA is offered through your employer's benefits plan.
- It grows with you — The money in the account is yours to invest, and the earnings are tax-free.
- Your employer may contribute to your HSA.
- It covers a wide variety of medical expenses not typically covered by traditional insurance.
- Your HSA is portable if you change jobs.
- Your HSA allows you to shop for care.
- From age 55 until you enroll in Medicare, you can contribute an additional \$1,000 annually.
- At age 65, you can use your HSA funds however you choose. It's counted as income and taxed as such, but there's no penalty.
- Once covered by Medicare, you can no longer contribute, but you can continue to withdraw available funds from your HSA.

*The IRS adjusts these amounts annually. The most current information is online at www.DiscoveryBenefits.com.

Is this right for me?

Things to consider when choosing an HSA:

- Your anticipated healthcare expenses.
- How active you want to be in your healthcare spending.
- Your personal financial situation.
- If enrolled in other coverage through a spouse, you may be ineligible for an HSA.
- A conversation with your tax advisor can help you decide.

Eligibility

To be eligible for an HSA, you must:

- First enroll in a High-Deductible Health Plan

You are not eligible for an HSA if:

- You are claimed as a dependent on someone else's taxes.
- You are covered by another plan that conflicts with the HDHP such as Medicare, a Flexible Spending Account or select Health Reimbursement Arrangements.
- Your spouse is contributing to a full Health FSA.

Once you determine that an HSA fits your needs, enroll through your employer. Once you are enrolled, log in to your Discovery Benefits consumer portal and agree to the online HSA agreements. Discovery Benefits simplifies the process into four easy steps:

1. Deposit money into your HSA
2. Manage your funds
3. Spend on eligible expenses
4. Collect your money



**Step One:
Deposit Funds**



Your contributions are tax-free

Three ways to make contributions:

1. Pre-tax salary deductions — If your employer offers this benefit, your payroll deductions are exempt from most state FICA and FUTA taxes as well as federal income tax (Most states allow this, but not all. Check with your employer).
2. Employer contributions — Made directly to your HSA by your employer.
3. Direct contributions — Throughout the year on your own schedule. Your annual contributions are taken as a deduction on your tax return (no need to itemize).

Note: Once your account is established, you must log in to your online account at www.DiscoveryBenefits.com and sign off on your terms and conditions.

Starting out

- Once you enroll in an HDHP, you can start HSA contributions the first of the next month.
- You may contribute up to the IRS maximum as long as you open your HSA by December 1 and remain eligible for the following 12 months.



Not sure how much to save?

Use the HSA Calculator at www.DiscoveryBenefits.com/HSAcalculator to determine how much you should set aside for qualified expenses.

Tax tips for your Discovery Benefits HSA

HSAs are governed by the IRS. These tips will help you get the most tax advantages from your funds.

If you contribute too much...

- Simply remove the excess contributions and any income you've earned from those contributions before your tax return deadline (usually April 15).
- Ask your tax advisor to help you monitor your contributions so you stay within the IRS limits.
- If you forget, the excess contributions are taxed at 6% each year they remain in the account.

If you contribute the annual maximum...

- Be sure to remain HSA-eligible for the following 12 months.
- If your eligibility status changes in the following 12-month period, make sure you budget for taxes and a 20% penalty for the months you are ineligible.
- You're free to contribute to more than one HSA for yourself, just be sure the total amount of all HSA contributions is within the annual limit.

If you split contributions with a spouse...

- You can divide the contributions however you like, equally or otherwise.

If you are turning 55...

- Once you turn 55, you can make an additional catch-up contribution each year.
- If you and your spouse are both making catch-up contributions, be sure to open a second HSA for his/her catch-up contribution (IRS allows one catch-up contribution per HSA per year).
- Once you're covered by Medicare, you stop making contributions to your HSA, but you can still use any funds you have available.

If you contribute for individuals who are non-eligible...

- Just remove the ineligible contributions and attributable earnings from your HSA. The IRS allows you ample time to do so.
- If you forget, the excess funds and their earnings are taxed at 6% each year they remain in the account.

If you're starting late in the year...

- Set up your HSA no later than December 1. Contributions can be made right up until your tax return date (usually April 15 for those who pay taxes by the calendar year). Keep in mind that you'll need to remain HSA-eligible for the following 12 months.

Step Two: Manage Your Funds



Grow your funds in interest bearing accounts

Access funds for short-term healthcare needs while you grow funds for long-term security. Your HSA contributions can go into one of three places:

1. Cash account (default account)

Your funds start out in an interest-bearing, FDIC-insured cash account. There is no minimum deposit required for opening an HSA. Once your contributions reach \$1,000, you have additional choices.

2. Interest-bearing account

After you have \$1,000 in your cash account, excess funds can be transferred, in \$100 increments, into an interest-bearing, FDIC-insured account. Funds are automatically transferred between the cash and interest-bearing accounts as cash account fund levels increase or decrease. Interest rates are variable.

3. Mutual funds

This is where your investing flexibility becomes a reality. At any time, you may invest funds from your interest bearing account in a wide variety of mutual fund options. Those options can be viewed online in the HSA section at www.DiscoveryBenefits.com.

Mutual fund shares may be automatically sold to bring the cash account balance to the minimum threshold of \$1,000, when necessary. As with any mutual fund, your HSA investments are not FDIC insured and are made at your own risk. They are not guaranteed by Discovery Benefits or the fund custodian, HealthcareBank, and may lose value.

WHY CHOOSE A DISCOVERY BENEFITS HSA?

-  CONTINUOUS GROWTH
-  STACKED CARD
-  MORE OPTIONS
-  CLAIMS SYNC
-  SECURITY

Flexibility allows for family changes.

Designate a beneficiary.

As you would with an IRA, you will name a beneficiary when you enroll in an HSA. If you name your spouse, your HSA will become his/hers in the event of your death. If you choose someone other than your spouse, the account stops being an HSA and the fair market value of the account becomes taxable to your beneficiary. If you don't designate a beneficiary, the fair market value of the account will be added to your last income tax and estate tax return. You can change your beneficiary at any time.

Adjust for marriage and family changes.

- If your HDHP coverage changes from single to family coverage, you may increase your contribution on a prospective basis.
- If your HDHP coverage changes from family to single coverage, you may adjust the contribution on a prorated basis to ensure you do not contribute more than allowed.
- In the case of a divorce or separation agreement, a transfer to your spouse or former spouse is not taxable as long as it's maintained as an HSA.

Rollovers and transfers from other accounts

Rollover

Once every 12 months, you can roll over an existing HSA balance. You must initiate the rollover within 60 days of constructive receipt by using the HSA Contribution Form at www.DiscoveryBenefits.com.

Transfer

You can transfer an existing HSA balance without time limitations. You must initiate the transfer by using the HSA Transfer Request Form at www.DiscoveryBenefits.com.

IRA rollover

You may also perform a one-time rollover from your individual retirement account (IRA) to your HSA as long as you remain within your annual contribution limit and you remain HSA-eligible for a year after your rollover. If you become ineligible for the HSA by no longer being covered by the HDHP or having non-HDHP coverage, the entire amount of the rollover is taxed and is subject to a 10% penalty tax. To initiate the rollover from your IRA, contact your IRA provider.

Step Three: Spend or Save

Eligible expenses

Expenses can be reimbursed from your HSA for the diagnosis, cure, mitigation, treatment or prevention of diseases and for treatments affecting any part or 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 generally are not expenses for medical care. Also, expenses that are merely beneficial to your general health are not eligible.

Examples of eligible expenses*:

Acupuncture	Immunization fees	Over-the-counter products*	Medical services
Chiropractor's fees	Eyeglasses	Sterilization medication	Crutches
Psychiatric care	Artificial limbs	Laboratory fees	Wheelchair
Hospital services	Osteopathic physicians	Guide dog	Braces
Operations	Psychologist visits	Birth control (pills, condoms, spermicides)	Prescription drugs
Diagnostic fees	Insulin	Contact lens solution	Hearing aid batteries
Ambulance	Contact lenses	Transplants (organs)	Nursing services
Christian Science practitioners' fees	Eye exams	Oxygen	Dental fees
Psychoanalysis	Artificial teeth		X-ray
	Hearing aids		

*A detailed list, IRS Publication 502, Medical and Dental Expenses, is available at www.DiscoveryBenefits.com. Over-the-counter medicines and drugs will require a physician's prescription in order for them to be eligible for tax-free reimbursement from the HSA.

Tips for smooth spending

Choose the way you pay for eligible expenses.

Pay upfront and get reimbursed.

- Pay for services and products.
- Request a distribution through your online account.
- If you wish to access funds that are invested, please allow five business days for processing.



Pay eligible expenses with your Discovery Benefits Debit Card.

- Use your Discovery Benefits debit card to pay for eligible services and products.
 - Payments are automatically withdrawn so there are no out-of-pocket costs. **Note:** The card will pull funds from your cash account and does not pull from invested funds.
- Receive one card when you enroll.
 - Request additional cards for your spouse and dependents 18 years of age or older for free.
 - Replace lost or stolen cards for free.

Discovery Benefits Debit Card tips:

- Don't use the card for amounts that still need to be processed through insurance, such as deductibles. When you receive your final statement from the provider showing insurance has been paid, write your Discovery Benefits debit card number on the statement and mail it to your provider.
- We will not ask you for any records to substantiate services or purchases, but the IRS could. Keep your statements and receipts for tax records.
- If you are enrolled in a Limited FSA, you can only use your Discovery Benefits debit card for dental and vision expenses. Once you meet your annual deductible, you may use your FSA (but not your card) for all eligible IRS expenses (if your plan allows). Check your plan description for details about the Limited FSA.

Grow your savings

Grow funds for long-term security — unexpected healthcare costs won't know what hit them.

A savings account — not a spending account

- Funds saved in your HSA grow tax-deferred while earning tax-free interest. Start by saving just enough to cover your deductible amount each year so you can turn to the HSA when you need it most.
- Unlike with an FSA, funds aren't forfeited at the end of the year, so unused balances stay in the account. The "Use or Lose" rule does not apply to HSAs.
- Invest your HSA funds in mutual fund options — just like you would invest your 401k dollars — to grow your balance even more.

Step Four: Collect Your Funds

The money in the HSA is yours to use for medical expenses or to invest and grow. Even when you are no longer actively contributing to an HSA, you still have access to the remaining funds.

Choose your reimbursement method

- Direct deposit — fast and seamless reimbursement
- Check — the default unless you enroll in direct deposit

Medical reimbursements/distributions

After you pay up front for medical expenses, you request reimbursement from your HSA.

- Distributions are tax-free for qualified expenses that are incurred while you are an HSA account holder.
- There's no time limit for distribution.

Non-medical withdrawals

You can make non-medical withdrawals from your HSA at any time.

- Non-medical distributions become taxable income and a 20% penalty may apply.
- If you are disabled or age 65+, you can withdraw your money without penalty, but you must report your distribution as taxable income.
- You may use your funds for a spouse or dependent not covered under your HDHP.

Good record keeping is key to a successful HSA

You don't have to submit substantiation to receive your reimbursement. However, you will want to keep good records for the IRS:

- Keep receipts and documentation for each year's federal tax return.
- You can upload and save receipts in your online account.
- Complete IRS Form 8889 and attach it to your Form 1040.
- Each year, Discovery Benefits will make the following tax forms available on your consumer portal by January 31:
 - Form 1099-SA, showing your distributions
 - Form 5498-SA, showing your contributions



Request your money online

Simply request your distribution online at www.DiscoveryBenefits.com.

- Payment will be made based on available funds in the account.
- You can request payment to be made directly to your provider.
- Funds are sent via direct deposit to your checking or savings account within five days from the request date.
- Additional processing time may be required when invested funds must be sold to provide reimbursement.

Keep in mind, using your Discovery Benefits debit card eliminates the need for reimbursements altogether.



You can also make contributions or request distributions using the free Discovery Benefits mobile application, available for Apple and Android devices.



We're here for you.



www.DiscoveryBenefits.com

- File a claim
- Check account balance and claim status
- View account history
- Access administrative forms
- Contact us via email
- Manage your profile
- Live chat



866-451-3399

- Speak to a service representative, M-F 6:00 a.m. to 9:00 p.m. CST
- Get answers to your HSA questions
- Access account balance information 24/7 through an Interactive Voice Response (IVR) system
- Be prepared to verify the primary account holder's information when calling