Health Savings Accounts (HSA) FAQs

1. What is a Health Savings Account (HSA)?

Health Savings Accounts (HSAs) are like personal savings accounts, but the money in them is used to pay for eligible out-of-pocket health care expenses. You—not PFG—own and control the money in your HSA. The money you deposit into the account can be contributed either pre-tax through payroll contributions or on your own with post-tax dollars. If you contribute on a post-tax basis, you can claim those contributions on your annual tax return. All funds can be used to pay for eligible health care expenses for you, your spouse and your tax dependents under the age of 24, regardless if they are on your medical plan, that have not otherwise been reimbursed. Different than a Flexible Spending Account (FSA), there is no "use-it-or-lose-it" rule so any balance you have remaining in your account at the end of the year is rolled over to the following year. If you leave PFG or change medical plans, your balance stays with you. You can grow your HSA with investment options, and whatever you earn from HSA investments is not taxed, as long as the funds remain in your HSA account. If you withdraw funds for non-medical expenses, you will pay taxes on the amount withdrawn. There is a 20% penalty on funds that are withdrawn before age 65, but after 65 there is no penalty for non-medical expenses (you still have to pay income tax on the money withdrawn).

2. Am I eligible to participate in an HSA?

You are eligible to participate if you are enrolled in PFG's Consumer Driven Health Plan (CDHP) option, and:

- Do not have other health coverage that pays for out-of-pocket expenses before you meet your plan deductible.
- Are not enrolled in a general-purpose health care FSA. You can however, have a limited purpose FSA (see question #9 for more details).
- Are not eligible for benefits under your spouse's plan or other plan that is not considered a high deductible plan.
- Not covered under Medicare or Veterans Administration (VA) health benefits.

3. If my spouse does not have a high deductible plan or CDHP, would that prevent me from participating in an HSA if I am covered under PFG's CDHP plan?

Generally speaking, no. As long as your spouse's plan does not cover you, you can still participate in an HSA. If your spouse has family coverage and that coverage includes you, then you would not be able to participate in an HSA. For example, your spouse has coverage through their employer and the coverage is not through a high deductible plan or CDHP. If your spouse covers themself and your two children only, you could still participate in an HSA.

4. What are some advantages of an HSA?

- **Tax savings**—Your contributions through payroll deductions can reduce your taxable income, just like an FSA.
- **Tax-free earnings**—Money kept in your HSA earns interest each month.
- **HSA ownership**—You have control over how to spend and save your HSA funds since you "own" the account. You never lose the funds in your account even if you retire/leave PFG or change your health plan election.
- **No "use-it-or-lose-it" rule**—Unlike an FSA, you don't lose the money in your account at the end of the year if you don't use it. It continues to roll over year after year.
- **Investment options**—After you have a balance of $1,000 in your account, you can invest your funds.
- **Employer Contribution**—PFG will make a contribution to your account on a per paycheck basis. Since you own the account, the money is yours even if you leave PFG.

5. How much money can I deposit annually into an HSA?

Contribution amounts can have up to three components: 1) the amount you contribute; 2) what PFG will contribute; 3) if you're age 55 or older and not enrolled in Medicare, you can make a "catch-up" contribution. The chart below shows the maximum contribution limits for each:

CDHP Coverage Level	2015 Contribution Limit	PFG's Contribution Amount	Associate's Contribution Maximum
Associate Only	$3,350	$250	$3,100
Associate & at least one dependent	$6,650	$500	$6,150
Catch Up (if age 55 – 64 in 2015)	+$1,000	N/A	+$1,000

6. How do I fund my HSA?

You can elect to contribute a set amount per pay period to your HSA account by making your election when you enroll. You also have the option of writing a check to PayFlex and contributing on an after-tax basis. If you fund your account by writing a check, you can claim this on your annual tax return.

7. Can I change my contribution throughout the year?

Yes. If you wish to change your election throughout the year, you can do so through the benefits enrollment site on ADP Self Service. Such changes will be effective the first of the month coinciding with or following 30 days from the date of the change.

8. Are HSAs similar to FSAs?

Yes, but there are a couple of key differences. One difference is the ability to roll over unspent money each year. You do not have that ability with an FSA. Another difference is that the money you put into an HSA is yours, and you can take it with you if you leave PFG. Unlike an FSA, you will be reimbursed from your **HSA up to the current balance** when you file the claim. Finally, it's important to know that in most cases you can't have both an HSA and a regular FSA.

9. Am I able to enroll in an FSA and an HSA at the same time?

Yes, PFG will offer a limited-purpose FSA for those who elect to have the CDHP medical plan which includes the HSA. Under the limited-purpose FSA, eligible expenses are limited to qualifying dental and vision expenses only. Expenses reimbursed under your limited-purpose FSA may not be reimbursed by your HSA. If an expense is eligible under both your limited-purpose FSA and HSA, you may submit the expense for reimbursement under either account but cannot be reimbursed from both accounts for the same expense. Participating in both plans will allow you to maximize your savings and tax benefits.

10. What is a Limited-Purpose FSA (LPFSA)?

An LPFSA is a flexible spending account that you may enroll in when you have an HSA. You can use this account to pay for eligible out-of-pocket dental and vision expenses. These include expenses like: dental and orthodontia care, eye exams, and eyeglasses, LASIK surgery and contact lenses. The LPFSA has a use-it-or-lose-it rule, so be sure to plan carefully. If you don't use up your LPFSA funds by the end of the calendar year, you will lose them. Under the LPFSA, you will need to file all reimbursement requests no later than March 31 of the following year or within 90 days of your coverage ending, whichever comes first.

11. What expenses are qualified for reimbursement from an HSA?

Common eligible expenses include:
- Deductibles and coinsurance
- Doctor visits
- Lab fees
- Prescription drugs
- Eyeglasses, LASIK laser eye surgery and contact lenses
- Dental and orthodontic care
- Chiropractic and acupuncture treatments

To view a complete list of common eligible expense items, visit HealthHub.com.

12. Can I use my HSA for over-the-counter drugs?

If you get a doctor's prescription for over-the-counter drugs or if it is insulin, then you can use your HSA to pay for the items tax-free and penalty-free with your HSA. You can be reimbursed for non-drug over-the-counter items such as bandages or contact lenses cleaner without a prescription.

13. How am I reimbursed for my expenses?

You can be reimbursed for eligible expenses through account withdrawals by the using the PayFlexTM HealthHub debit card, direct bill payment, reimbursement through linked personal bank accounts, or checks. So, you have options for how and when you spend your HSA funds. All HSA participants will receive a PayFlexTM HealthHub debit card which will be funded by your contributions and PFG's contributions.

14. Can I withdraw money from an HSA for nonmedical expenses?

Yes, but if you withdraw funds for nonmedical expenses before you turn 65, you have to pay taxes on the money and a 20 percent penalty.

15. What happens when I reach age 65?

Once you reach age 65, your funds can be withdrawn at any time and are only subject to ordinary income tax. However, you may avoid any tax by continuing to use the funds for qualified medical expenses. For those over age 65, premiums for Medicare Part A or B, Medicare HMO and employee premiums for employer sponsored health insurance can be paid from an HSA. As soon as you become age 65 and accept Medicare, you are no longer eligible to contribute to the HSA (starting in the month of your 65th birthday). An eligible spouse under age 65 can continue to contribute to their HSA and may use that HSA to pay for the other spouse's Medicare part A or part B premiums.

16. How do I designate a beneficiary for my HSA?

Beneficiary designation will be handled through PayFlex. If you designate your spouse as your beneficiary, the IRS treats the HSA as if your spouse was the original owner. That means that the funds in the HSA can be used by your spouse for qualified medical expenses without paying taxes on the withdrawals. Your spouse can also use these funds to pay any outstanding qualified medical expenses you may have without any income tax liability. If you designate anyone other than your spouse as your beneficiary, the account is no longer treated as an HSA. As a result, "the fair market value" of your HSA becomes taxable income to the beneficiary for the year in which you die. Beneficiary designation forms can be found in the Document Library located on Self Service.

There are complicated rules associated with an HSA. Your tax advisor is a great resource to answer your questions. PayFlex is also available to assist you with your questions.
PayFlex can be reached at 1-800-284-4885 or online at www.healthhub.com.