



Great Lakes HSA

HSA Welcome Packet

(Updated April 10, 2010)

Thank you for choosing Great Lakes HSA as your HSA administrator. In the next 5-7 days, you will receive a formal welcome packet in the mail along with your free debit card and password.

To maximize the benefits of your current health plan, it is important to understand the basics of a HSA qualified health plan and how it works in conjunction with your HSA bank account. Please review this informational packet and pay special attention to the sections listed below. If you have questions today or throughout the year, do not hesitate to contact us!

- What is a qualified expense? **Page 13**
- How much can I contribute to my HSA in 2009 & 2010?
Page 1 & page 7
- What members of my family can use the HSA funds? **Page 4**
- What happens when I see a doctor? **Page 4**
- How do I pay for a medication at the Pharmacy? **Page 4&5**

The answers to all these questions along with other valuable information can be found in this packet. If you have additional questions, do not hesitate to contact Great Lakes HSA at [216-373-6748](tel:216-373-6748) or via email at info@greatlakeshsa.com



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Important Contacts & Phone Numbers

For questions related to HSA regulations – i.e. qualified medical expenses, contribution limits, billing questions– call Great Lakes HSA

Great Lakes HSA

Phone: (216) 373-6748

Fax: (480) 275-3096

Email: jsnyder@greatlakeshsa.com

Website www.greatlakeshsa.com

For account balances, cleared checks or other banking questions, please call American Chartered Bank (HSA division)

American Chartered Bank

HSA Customer Service Phone: (847) 407-2603

Email: HSA@americanchartered.com

Website www.americanchartered.com



EMPLOYEE HSA FAQ - Updated for 2010

Should I pay anything to the doctor's office when I go for a visit?

NO! With a HSA health plan, nothing changes when you go to the doctor except that you do not pay a co-pay. The doctor's assistant may get confused when she looks on the back of your card and does not see a co-payment amount for office visits (This happens to me all the time) but just like the process when you have traditional health insurance, every time you go to the doctor, a claim will be filed (by your doctor) with the insurance company on your behalf. If you have met your deductible or if the service qualifies as a routine wellness service, the insurance company will cover the cost. If you have not met your deductible, you will receive a bill (mailed to your home) for the service you have received. You will then have the option of paying the bill out of your Health Savings Account using your debit card, or paying the bill out of pocket. It is important that the claim be filed with the insurance company first so that you are billed for the appropriate amount and your deductible is accumulated properly.

Many health providers' invoices will give the option of paying by credit card. You can simply write in your debit card number and the invoice amount will be charged directly to your HSA.

Should I pay anything to the pharmacy when I fill my prescriptions?

The pharmacy has the ability to claim process with the insurance company instantaneously. The pharmacy will know how much you have on your high deductible still to pay. If you have not reached your maximum deductible) you will be required to pay for your prescriptions. Once you meet your full deductible you will pay nothing for future prescriptions. You will be able to use your HSA debit card at the pharmacy

Can I use my HSA funds to pay for medical expenses of my wife and or children? Even if they are not covered under my HSA health plan?

YES – you can use your HSA dollars to pay for the qualified medical expenses of your spouse or any dependent. **EVEN IF THEY ARE NOT COVERED UNDER A HSA HEALTH PLAN!**



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How do I reimburse myself for prescriptions or other medical expenses I paid out of pocket before money was in my HSA bank account?

You do not have to use your HSA to pay for qualified medical expenses. You have the option of paying with non-HSA money and then reimbursing yourself with HSA funds at any time.

The easiest way to reimburse yourself is to write yourself a check or sign on to your account online and use the bill pay feature to write yourself a check. For example, I had a prescription filled for \$67.31 on January 5th and charged it on my normal credit card. I wrote myself a check for \$67.31 and the process was over.

This process also makes it easy for record keeping because your prescription receipts will match withdrawals in your HSA. Therefore, should you get audited someday you will have a detailed receipt for each transaction

Should I keep my medical receipts?

Since you own and control your Health Savings Account, you will need to track your expenditures in order to ensure that you are using it for qualified medical expenses. Be sure to keep copies of receipts in case of an audit by the IRS.

What is an HSA?

An HSA is a tax-exempt trust or custodial account established exclusively for the purpose of paying qualified medical expenses of the account beneficiary who, for the months for which contributions are made to an HSA, is covered under a high-deductible health plan.

Who is eligible to establish an HSA?

An “eligible individual” can establish an HSA. An “eligible individual” means, with respect to any month, any individual who:

- is covered under a high-deductible health plan (HDHP) on the first day of such month;
- is not also covered by any other health plan that is not an HDHP (with certain exceptions for plans providing certain limited types of coverage);
- is not enrolled in Medicare; and
- may not be claimed as a dependent on another person’s tax return.



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What kind of other health coverage makes an individual ineligible for an HSA?

Generally, an individual is ineligible for an HSA if the individual, while covered under an HDHP, is also covered under a health plan (whether as an individual, spouse, or dependent) that is not an HDHP.

What other kinds of health coverage may an individual maintain with a HSA?

An individual does not fail to be eligible for an HSA merely because, in addition to an HDHP, the individual has coverage for any benefit provided by permitted insurance. Permitted insurance is insurance under which substantially all of the coverage provided relates to liabilities incurred under workers' compensation laws, tort liabilities, liabilities relating to ownership or use of property (e.g., automobile insurance), insurance for a specified disease or illness, and insurance that pays a fixed amount per day (or other period) of hospitalization.

In addition to permitted insurance, an individual does not fail to be eligible for an HSA merely because, in addition to an HDHP, the individual has coverage (whether provided through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care. If a plan that is intended to be an HDHP is one in which substantially all of the coverage of the plan is through permitted insurance or other coverage as described in this answer, it is not an HDHP.

CONTRIBUTIONS

Who may contribute to an HSA?

Any eligible individual may contribute to an HSA. For an HSA established by an employee, the employee, the employee's employer or both may contribute to the HSA of the employee in a given year. For an HSA established by a self-employed (or unemployed) individual, the individual may contribute to the HSA. Family members may also make contributions to an HSA on behalf of another family member as long as that other family member is an eligible individual.



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How much may be contributed to an HSA in calendar year 2010?

The maximum annual contribution to an HSA for **2010** is **\$3050** if you have single coverage or **\$6150** for family coverage. Family coverage is defined as coverage for more than one person. These amounts include contributions by employees and anything from your employer.

I turned 55 this year (2010). Can I make the full \$1000 "catch-up" contribution?

If you are between 55 and 65 in 2010, you can make an additional contribution of \$1000. If you have family coverage and both you and your spouse are 55 and over, each of you can make an additional contribution of \$1000. Please call GLHSA for more details!

If one or both spouses have family coverage, how is the contribution limit computed?

In the case of individuals who are married to each other, if either spouse has family coverage, both are treated as having family coverage. If each spouse has family coverage under a separate health plan, both spouses are treated as covered under the plan with the lowest deductible. The contribution limit for the spouses is the lowest deductible amount, divided equally between the spouses unless they agree on a different division. This may sound confusing, because it is – Call Great Lakes for more information!

In what form must contributions be made to an HSA?

Contributions to an HSA must be made in cash. For example, contributions may not be made in the form of stock or other property. Payments for the HDHP and contributions to the HSA can be made through a cafeteria plan.

What is the tax treatment of an eligible individual's HSA contributions?

Contributions made by an eligible individual to an HSA are deductible by the eligible individual in determining adjusted gross income (i.e., above-the-line). The contributions are deductible whether or not the eligible individual itemizes deductions. However, the individual cannot also deduct the contributions as medical expense deductions under section 213.



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What is the tax treatment of contributions made by a family member on behalf of an eligible individual?

Contributions made by a family member on behalf of an eligible individual to an HSA are deductible by the eligible individual in computing adjusted gross income. The contributions are deductible whether or not the eligible individual itemizes deductions. An individual who may be claimed as a dependent on another person's tax return is not an eligible individual and may not deduct contributions to an HSA.

What is the tax treatment of employer contributions to employees HSA?

In the case of an employee who is an eligible individual, employer contributions to the employees HSA are treated as employer-provided coverage for medical expenses under an accident or health plan and are excludable from the employee's gross income. The employer contributions are not subject to withholding from wages for income tax or subject to the Federal Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), or the Railroad Retirement Tax Act. Contributions to an employee HSA through a cafeteria plan are treated as employer contributions. The employee cannot deduct employer contributions on his or her federal income tax return as HSA contributions or as medical expense deductions under section 213.

What is the tax treatment of an HSA?

An HSA is generally exempt from tax (like an IRA or Archer MSA), unless it has ceased to be an HSA. Earnings on amounts in an HSA are not includable in gross income while held in the HSA (i.e., inside buildup is not taxable).

When may HSA contributions be made? Is there a deadline for contributions to an HSA for a taxable year?

Contributions for the taxable year can be made in one or more payments, at the convenience of the individual or the employer, at any time prior to the time prescribed by law (without extensions) for filing the eligible individual's federal

Income tax return for that year, but not before the beginning of that year. For calendar year taxpayers, the deadline for contributions to an HSA is generally April 15

following the year for which the contributions are made. Although the annual contribution is determined monthly, the maximum contribution may be made on the first day of the year.



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DISTRIBUTIONS

When is an individual permitted to receive distributions from an HSA?

An individual is permitted to receive distributions from an HSA at any time.

How are distributions from an HSA taxed?

Distributions from an HSA used exclusively to pay for qualified medical expenses of the account beneficiary, his or her spouse, or dependents are excludable from gross income. In general, amounts in an HSA can be used for qualified medical expenses and will be excludable from gross income even if the individual is not currently eligible for contributions to the HSA.

However, any amount of the distribution not used exclusively to pay for qualified medical expenses of the account beneficiary, spouse or dependents is includable in gross income of the account beneficiary and is subject to an additional 10% tax on the amount includable, except in the case of distributions made after the account beneficiary's death, disability, or attaining age 65.

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What are the “qualified medical expenses” that are eligible for tax-free distributions?

See the end of this document for a complete list of Qualified Medical Expenses - The term “qualified medical expenses” are expenses paid by the account beneficiary, his or her spouse or dependents for medical care as defined in section 213(d) (including nonprescription drugs as described in Rev. Rule. 2003-102, 2003-38 I.R.B. 559), but only to the extent the expenses are not covered by insurance or otherwise. The qualified medical expenses must be incurred only after the HSA has been established.



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**Do Over the Counter “OTC” products qualify as a qualified medical expense?
Yes and No, see the list below**

Eligible Over-the-Counter Drugs (For HSA Distributions)	Ineligible Over-the-Counter Drugs
Antacids Allergy Medications Pain Relievers Cold medicine Anti-diarrhea medicine Cough drops and throat lozenges Sinus medications and nasal sprays Nicotine medications and nasal sprays Pedialyte First aid creams Calamine lotion Stop-smoking programs Wart removal medication Antibiotic ointments Suppositories and creams for hemorrhoids Sleep aids Motion sickness pill	Toiletries (including toothpaste) Acne treatments Lip balm (including chapstick or carmex) Cosmetics (including face cream and moisturizer) Suntan lotion Medicated shampoos and soaps Vitamins (daily) Fiber supplements Dietary supplements Weight loss drugs for general well being Herbs

***In 2011, OTC will no longer be considered a qualified medical expense unless your doctor writes you a script for the product. This new rule is part of the Healthcare legislation that was approved in 2010**

Are health insurance premiums qualified medical expenses?

Generally, health insurance premiums are not qualified medical expenses except for the following:

- qualified long-term care insurance,
- COBRA health care continuation coverage, and
- health care coverage while an individual is receiving unemployment compensation.



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In addition, for individuals over age 65, premiums for Medicare Part A or B, Medicare HMO, and the employee share of premiums for employer-sponsored health insurance, including premiums for employer-sponsored retiree health insurance can be paid from an HSA. Premiums for Medigap policies are not qualified medical expenses.

How are distributions made from an HSA after the account beneficiary is no longer an eligible individual?

If the account beneficiary is no longer an eligible individual (e.g., the individual is over age 65 and enrolled in Medicare, or no longer has an HDHP), distributions used exclusively to pay for qualified medical expenses continue to be excludable from the account beneficiary's gross income.

What are the income tax consequences after the HSA account beneficiary's death?

Upon death, any balance remaining in the account beneficiary's HSA becomes the property of the individual named in the HSA instrument as the beneficiary of the account. If the account beneficiary's surviving spouse is the named beneficiary of the HSA, the HSA becomes the HSA of the surviving spouse. The surviving spouse is

subject to income tax only to the extent distributions from the HSA are not used for qualified medical expenses.

If, by reason of the death of the account beneficiary, the HSA passes to a person other than the account beneficiary's surviving spouse, the HSA ceases to be an HSA as of the date of the account beneficiary's death, and the person is required to include in gross income the fair market value of the HSA assets as of the date of death. For such a person (except the decedent's estate), the includable amount is reduced by any payments from the HSA made for the decedent's qualified medical expenses, if paid within one year after death.

Are dental and vision care qualified medical expenses under a Health Savings Account?

Yes, as long as these are deductible under the current rules. For example, cosmetic procedures, like cosmetic dentistry, are generally not deductible and would not be considered qualified medical expenses.

Can anyone make catch-up contributions to a Health Savings Account?

Individuals 55 and older who are covered by an HDHP can make additional catch-up contributions. They may make contributions anticipating medical expenses that will



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not be covered under Medicare -- such as a portion of prescription drug costs or Medicare Part A & B premiums. For individuals age 55 and older, additional catch-up contributions to HSA allowed

2010 and after - \$1,000

Contributions must stop once an individual is enrolled in Medicare.

Do Health Savings Account funds roll over year after year and get invested?

Yes, the money invested in a Health Savings Account rolls over year after year.

What happens to the money in a Health Savings Account after you hit age 65?

Once you hit 65, the amounts can be used for health expenses and to pay certain insurance premiums like Medicare Part A & B, Medicare HMO and the employee's share of retiree medical insurance premiums. It cannot be used to purchase a Medigap policy. It can also be used for any other expenses. If used for medical expenses, the amounts come out of the account tax free. If used for other expenses, the amount received will be taxable.

It is important to add that just because you are turning 65, it DOES NOT mean you have to stop making contributions to your HSA or enroll in Medicare. If you would like to continue your HSA health plan past the age of 65, please contact GLHSA and we will walk you through the process of maintaining your HSA qualified health plan.



Health Savings Accounts, Qualified Expenses

The following lists provide a brief summary of the information described in the Internal Revenue Code and IRS publication 502. <http://www.irs.gov/publications/p502/ar02.html> The lists are intended to serve as a quick reference to help determine whether or not an expense may be eligible for HSA reimbursement. Please call Great Lakes HSA at 216-373-6748 or email us at info@greatlakeshsa.com for further information or read IRS publication 502.

Qualified Medical Expenses Eligible for reimbursement

Abortion	Optician
Acupuncture	Oral surgery
Air conditioner (when necessary for relief from an allergy or for relief from difficulty in breathing)	Organ transplant (including donor's expenses)
Alcoholism treatment	Orthopedic shoes
Ambulance	Orthopedist
Anesthetists	Osteopath
Artificial limbs	Over the counter medication
Autoette (when used for relief of sickness or disability)	Oxygen and oxygen equipment
Birth control pills (by prescription)	Pediatrician
Blood tests	Physician
Braces	Physiotherapist
Cardiographs	Postnatal treatments
Chiropractor	Practical nurse for medical services
Christian Science Practitioner	Premiums for long-term care insurance
Contact lenses	Premiums for continuation coverage required by Federal law (COBRA)
Contraceptive devices	premiums for insurance received while receiving unemployment compensation
Convalescent home (for medical treatment only)	Prenatal care
Crutches	Prescription medicines
Dental treatment	Psychiatrist
Dental x-rays	Psychoanalyst
Dentures	Psychologist
Dermatologist	Psychotherapy
Diagnostic fees	Radium therapy
Diathermy	Registered nurse
Drug addiction therapy	Special school costs for the handicapped
Drugs (prescription)	Spinal fluid test
Eyeglasses	Splints
Fees paid to health institute prescribed by a doctor	Sterilization
FICA and FUTA tax paid for medical care service	Surgeon
Fluoridation unit	Telephone or TV equipment to assist the hearing impaired
Guide dog	Therapy equipment
Gynecologist	Transportation expenses (relative to health care)
Healing services	Ultra-violet ray treatment
Hearing aid and batteries	Vaccines
Hospital bills	Vasectomy
Hydrotherapy	Vitamins (if prescribed)
Insulin treatments	Wheelchair
Lab tests	X-rays
Lead paint removal	
Legal fees (to authorize treatment for a mental illness)	
Lodging (away from home for outpatient care)	
Metabolism tests	
Neurologist	
Nursing (including board and meals)	
Obstetrician	
Operating room costs	
Ophthalmologist	



Expenses NOT eligible for reimbursement

Advance payment for services to be rendered next year
Athletic club membership
Automobile insurance premium
Allocable to medical coverage
Boarding school fees
Bottled water
Commuting expenses of a disabled person
Cosmetic surgery and procedures
Cosmetics, hygiene products and similar items
Diaper service
Domestic help
Funeral, cremation or burial expenses
Health programs offered by resort
Hotels, health clubs and gyms
Illegal operations and treatments
Illegally procured drugs
Maternity clothes
Premiums for life insurance, income
Protection, disability, loss of limbs, sight or similar benefits
Scientology counseling
Social activities
Special foods or beverages
specially designed car for handicapped
other than autoette or special equipment
Stop smoking programs
Swimming pool
Travel for general health improvement
Tuition and travel expenses for sending a problem child to a particular school
Weight loss programs