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Learn how your BESTflexSM Plan works with Health Savings Accounts.

■ About Health Savings Accounts

Your employer has added the Limited Health Care Flexible Spending Account (FSA) to your BESTflex Plan, allowing you to save money on eligible vision and dental expenses through the BESTflex Plan and still make contributions to a Health Savings Account (HSA).

HSAs are tax-advantaged savings accounts that were first introduced in 2003. As a consumer-driven option, HSAs serve to control rising health care costs by giving you insight into how much health care actually costs and more control over how you spend your health care dollars.

HSAs cover current and future medical expenses. Funded by employees, employers or a combination of the two, the account allows you to contribute and withdraw money on a tax-free basis, as long as you use it for eligible, Section 213(d) medical expenses. The account is also portable, meaning it can grow over time, even as your circumstances change.

You must be enrolled in a high-deductible health plan (HDHP) in order to establish and contribute to an HSA, and you cannot have any disqualifying health coverage. The BESTflex Plan Limited Health Care FSA works in conjunction with the HDHP and HSA because it only reimburses dental and vision expenses; it is not considered disqualifying health coverage.

The following information describes how HSAs work with the BESTflex Plan, when you are eligible to establish an HSA, HSA contributions, qualified distributions from HSAs, and the differences between HSAs and FSAs.

■ Eligibility to Establish an HSA

To be eligible to participate in an HSA, you must be covered, as of the first day of any calendar month, by an HDHP. You must not be covered by other non-HDHP health insurance – including that of a spouse. (Certain types of insurance, such as vision or dental coverage, are not considered disqualifying health insurance and can coexist with an HSA.) You must not be enrolled in Medicare and no one can claim you as a dependent for tax purposes.

Your employer is allowed to establish an HSA for you and select an HSA administrator. However, you can establish more than one HSA and transfer funds between accounts.

■ High-Deductible Health Plans

Specifically, an HDHP is a health plan that meets statutory requirements for annual deductibles (other than for preventive care) and out-of-pocket expenses. For plans with a network of providers, the requirements do not apply to out-of-network services. The requirements are as follows:

- Deductibles: In 2015, the minimum deductible under self-only HDHP coverage is \$1,300. For family HDHP coverage, it is \$2,600.
- Out-of-Pocket Expenses: The maximum out-of-pocket expense limit in 2015 for the HSA-compatible HDHP is \$6,450 for single coverage and \$12,900 for family coverage.

In general, coverage under any non-HDHP health plan disqualifies you from contributing to an HSA. However, dental, vision, disability, accident and long-term care coverage are not considered disqualifying. The following are two examples of disqualifying health coverage:

- Example A (Other Employer's Plan): You will be disqualified from participating in an HSA if you are covered under your spouse's employer's health plan and it is not an HDHP.
- Example B (Health Care FSA): You will be disqualified from participating in an HSA if you are covered under the Health Care FSA, unless it is the Limited Health Care FSA, which only reimburses dental or vision expenses

Warning: *If you intend to make an HSA contribution during the BESTflex Plan plan year, you cannot elect the regular Health Care FSA since it reimburses all medical expenses and is disqualifying coverage.*

■ How HSAs Interact with the BESTflex Plan

Participating in the BESTflex Plan Health Care FSA disqualifies you from establishing or contributing to an HSA. However, Employee Benefits Corporation offers a Limited Health Care FSA, which only reimburses dental and vision expenses and is not disqualifying health coverage. The Limited Health Care FSA works in conjunction with an HSA, allowing you to establish and contribute to an HSA, and make tax-free HSA contributions through the BESTflex Plan. Because you pay for dental and vision expenses with the pre-tax dollars in the Limited Health Care FSA, you can save more money in your HSA.

If your employer offers it, you can choose to participate in the Limited Health Care FSA and determine your pre-tax HSA contributions, which are made through the BESTflex Plan, on the *Enrollment Form*.

Examples of Limited Health Care FSA Eligible Expenses

DENTAL SERVICES

Crowns/Bridges
Dental X-Rays
Dentures
Exams/Teeth Cleanings
Extractions
Fillings
Gum Treatments
Orthodontia/Braces

VISION EXPENSES

Contact Lenses
Contact Lens Solution
Eye Examinations
Eyeglasses
Laser Eye Surgeries
Prescription Sunglasses
Radial Keratotomy/LASIK

Please Note: *If you elect the Limited Health Care FSA, eligible medical expenses listed in your Summary Plan Description booklet are not valid.*

■ Employee and Employer Contributions

After establishing an HSA, employees and employers can begin contributing to the account. If you participate in the Limited Health Care FSA, you can choose to make pre-tax HSA contributions, as well as determine the contribution amount, through salary reduction on the BESTflex Plan *Enrollment Form*, which your employer provides. Your employer is allowed, but not required, to contribute additional amounts to your HSA.

Your employer's HSA contributions must generally be comparable for all employees in the same HDHP coverage category. They can be different between part-time and full-time employees and employees with single and family HDHP coverage. Your employer may contribute more to non-highly compensated employees than highly compensated employees.

If your employer makes HSA contributions through a cafeteria plan, these comparability rules do not apply, but are subject to the IRS nondiscrimination testing required of a cafeteria plan.

■ Tax Treatment of HSA Contributions

The amount of money you contribute to an HSA by salary reduction through the BESTflex Plan is excluded from your income and not subject to payroll taxes. The HSA itself, like an IRA, is exempt from tax.

The BESTflex Plan
Employee Benefits Corporation

Enrollment Form With Health Savings Accounts

Fax to: 608 831 4790
Mail to: Employee Benefits Corporation, PO Box 44347, Madison WI 53744-4347
Phone support: 800 346 2126 | 608 831 8445
E-mail support: participantservices@ebcflex.com

Submit completed form to your Employer.

General Information
Organization Name: _____ Division: _____

Participant Information (Please print)
Last Name: _____ M F Suffix: _____ First Name: _____ MI: _____
Date of Birth (mm-dd-yyyy): _____ Date of Hire (mm-dd-yyyy): _____ Participant Social Security or Identification Number: _____
Mailing Address: _____ Apt. No.: _____ City: _____ State: _____ Zip Code: _____
Home Phone: 123-456-7890 E-mail Address (we do not share your e-mail address): _____

Plan Dates (refer to "My Company Plan" Eligibility section)
Effective Start Date (mm-dd-yyyy): _____ Number of Pay Periods: _____

Plan Benefits: I elect to have Elections below deducted from my pay (tax-free and placed into the following accounts):

	Employee Election per Pay Period	Employee Election Plan Year Total	Employer Contributions (If any) Plan Year Total
Standard Health Care FSA Reimburses all eligible medical expenses, not for use with HSA	\$ _____	\$ _____	\$ _____
Limited Health Care FSA With HSA only; reimburses dental and vision expenses only	\$ _____	\$ _____	\$ _____
Dependent Care FSA Reimburses eligible child or elder care expenses (e.g., daycare)	\$ _____	\$ _____	\$ _____
Employee Paid Administrative Fees (if any)	\$ _____	\$ _____	\$ _____
HSA Contribution Enter the per-paycheck payroll deduction	\$ _____	\$ _____	\$ _____
Total Election Amount	\$ _____	\$ _____	\$ _____

Direct Deposit (optional; if you have not done so, complete banking information below to participate -- authorization is in effect from plan year to the next)
Financial Institution: _____ City: _____ State: _____
 Checking Savings
Account Number: _____ Routing Number (exactly 9-digits): _____

Authorization
 I enroll in the BESTflex Plan I do not wish to enroll in the BESTflex Plan

I agree this election cannot be revoked or changed during the plan year, unless a qualifying event occurs to justify the revocation or change as authorized by the IRC and Regulations. I understand that my Social Security benefits may be affected by my participation in this Plan and that any money I allocate to these accounts and do not spend by the end of the plan year (or grace period) is owned by the plan sponsor (cannot be returned to me). If HSA contributions are exempt from this rule, your annual election will be rounded down if it is not evenly divisible by the number of paychecks. If a debit card has been provided to me, I certify I will only use the Card for payment of eligible expenses under the Plan and any expense paid with the Card will not be reimbursed nor will I seek reimbursement under another Plan. I agree to provide substantiation that any expense is eligible for reimbursement under the Plan, and to reimburse the Plan in cases where I have been reimbursed in error for an expense ineligible under the Plan. I also understand Employee Benefits Corporation may need "protected health information" regarding coverage or benefits to me or my dependents under the Plan. By signing this Enrollment Form, I acknowledge that Employee Benefits Corporation will obtain "protected health information" for purposes of the Plan and only for as long as Employee Benefits Corporation is providing services regarding the Plan. Any information disclosed pursuant to this Enrollment Form will not be subject to redisclosure by the recipient, except for purposes of the Plan. I understand that my enrollment can be denied if I do not sign this form.

If Direct Deposit is elected for reimbursement, I authorize Employee Benefits Corporation to send reimbursements (and appropriate adjusting entries) electronically or by any other commercially accepted method to my designated account at the financial institution named above. I agree not to hold Employee Benefits Corporation responsible for any delay or loss of funds due to incorrect or incomplete information supplied by me or my financial institution or due to an error on the part of my financial institution in depositing funds to my account. It is my responsibility to notify Employee Benefits Corporation immediately of any changes in my financial institution (i.e., change of account number or closure of account). This authorization will remain in effect until Employee Benefits Corporation has received written notification from me of its termination in such time and in such manner as to provide Employee Benefits Corporation a reasonable opportunity to act on it.

Signature: _____ Date (mm-dd-yyyy): _____

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(Sample Enrollment Form shown; your form may differ slightly)

How to enroll in the BESTflex Plan Limited Health Care FSA:

- 1. Enter General and Personal Information.** All of it, including your e-mail address, if you have one. E-mail is how we prefer to contact you.
- 2. Enter Plan Dates.** Enter the date you start the plan (the Effective Start Date) and how many paychecks you receive annually (Number of Pay Periods). Enrollment is for one plan year, usually consisting of 12 calendar months or less.
- 3. Enter BESTflex Plan Benefits.** Use the mini-worksheet on the form to enter your annual election. Choose the amount you'd like deducted from each paycheck (Employee Deduction per Pay Period) and multiply that amount by the Number of Pay Periods to determine your Plan Year Total.

If you plan to participate in an HSA during the plan year, do this for the Limited Health Care FSA (not the Standard Health Care FSA), Dependent Care FSA and HSA Contribution, and total the form.

If you receive contributions from your employer, add the Employer Contribution per Pay Period to your Employee Deduction per Pay Period before multiplying that amount by the Number of Pay Periods.
- 4. Complete Direct Deposit Information.** You have the option of having your reimbursement check mailed to you or deposited directly at your bank, credit union or other financial institution. To authorize the direct deposit feature, provide the financial account information requested on the form.
- 5. Authorize Enrollment and Direct Deposit.** First, indicate whether you want to participate in the BESTflex Plan. Then sign and date the form and return it to your employer.

If you choose to not enroll in the BESTflex Plan FSAs, you must sign and date the form anyway. Your eligible employer-provided insurance premiums will still be deducted from your pay on a pre-tax basis.

What Happens After I Enroll?

Your employer transfers the amounts you elected on the *Enrollment Form* to your Limited Health Care or Dependent Care FSA. Check your pay stub to ensure the deducted amounts are correct.

Once your plan year starts, visit our web site at www.ebcflex.com and activate your online account. Log in and you'll be taken to My Account Assistant, where you'll see your account information. You'll also be able to download useful materials, such as *Reimbursement Forms*, to help you make the most of your plan.

Three states do not exempt state taxes from HSA payroll contributions: Alabama, California and New Jersey. Two states may require taxes on interest earned: New Hampshire and Tennessee.

Contribution Limits

The IRS has set the maximum annual HSA contribution amount for 2015 to \$3,350 for single HDHP coverage and \$6,650 for family coverage.

Contributions in Light of the Tax Relief and Health Care Act of 2006

Before the Tax Relief and Health Care Act of 2006 was signed into law, HSA contributions were further limited to the amount of your HDHP deductible. This law, however, removed this requirement, allowing you to contribute the annual maximum for single or family HDHP coverage, regardless of your deductible.

The law also allows you to contribute the full, annual amount if you begin participating in an HDHP and become HSA-eligible by December 1. You must remain HSA-eligible through December of the same year – the last month of the HDHP plan year – to be treated as having been eligible for all 12 months of the year.

You must also remain HSA eligible through the end of December in the following year (the 12-month "testing period"). If you do not remain eligible, all HSA contributions during the months when you were ineligible will be subject to income tax and an additional 10

percent excise tax. The tax penalties do not apply if the individual loses eligibility due to disability or death.

- Catch-up Contributions: If you are at least age 55 by the end of the year, then you can contribute an extra amount. The extra amount is \$1,000 each year.

Contributions During the 2-1/2 Month Grace Period

The Tax Relief and Health Care Act of 2006 allows you to make HSA contributions during the Health Care FSA's 2-1/2 month grace period. You must have a zero balance in your Health Care FSA on the last day of the BESTflex Plan plan year.

Otherwise, you must wait until the end of the Health Care FSA runout period to begin making contributions to an HSA.

Excess HSA Contributions

You should have your excess HSA contributions (plus attributable earnings distributed from the HSA) returned before the tax filing due date (including extensions). These are used when filing your federal income tax return for the year (generally April 15). You are required to pay an excise tax of 6 percent on excess contributions left in your HSA beyond that time.

■ HSA Distributions

HSA distributions that are exclusively used to pay for your, your spouse's, or your dependent's qualified medical expenses are excluded from income. This is the case even if, at the time of distribution, you are no longer eligible to make HSA contributions.

Any distribution that is not exclusively used for such qualified medical expenses becomes taxable income. Unless it is distributed after you die, become disabled or reach age 65, the distribution is also subject to an additional 20 percent tax. (This tax increased, effective January 1, 2011, by 10% due to the 2010 health care reform legislation.)

■ Differences Between HSAs and FSAs

While there may be some basic similarities between HSAs and FSAs, the two types of accounts are largely different. The following is a rundown of the primary contrasts:

- **Difference #1 (Elections):** You must make a Health Care FSA election before the plan year begins and this election can only be changed during the year in limited circumstances. In contrast, you can start or stop, or increase or decrease your HSA contributions at any time, as long as the change is effective prospectively (i.e., after the request for the change is received).

When you change your HSA contributions, the change cannot take place until the next payroll

- **Difference #2 (Availability of Reimbursements):** The total, annual reimbursement amount you elect under a Health Care FSA must be available when the year begins, even though your salary-reducing contributions to the Health Care FSA are made evenly throughout the year. In contrast, an HSA can pay out no more than its current balance.
- **Difference #3 (Year-to-Year Carryovers):** Health Care FSAs cannot carry balances over from one year to the next; you must "use it or lose it" under IRS regulations. HSA balances do carry over from one year to the next.
- **Difference #4 (Post-Termination Reimbursements):** If you terminate employment with your employer, expenses you later incur are generally not reimbursable by a Health Care FSA. (An exception applies if you elect and pay for COBRA continuation coverage under the Health Care FSA.) You own an HSA and it stays with you beyond termination of employment. You can use your HSA to pay for qualified medical expenses that are incurred at any time after establishing the HSA.

- **Difference #5 (Reimbursement for Certain Premiums):** Your HSA can pay your premiums for COBRA continuation coverage or health plan coverage while you are receiving unemployment compensation, qualified long-term care insurance coverage or qualified long-term care services. If you are over age 65, your HSA can also pay your premiums for Medicare Part A or B, Medicare HMO, and your share of premiums for employer-sponsored health plan coverage, including premiums for employer-sponsored retiree health insurance. Health Care FSAs cannot reimburse participants for any of the above. (Other group health insurance premiums are not reimbursable under either Health Care FSAs or HSAs.)
- **Difference #6 (Claim Adjudication):** You can be reimbursed under the Health Care FSA only if you provide Employee Benefits Corporation (or other administrator of the Health Care FSA) with an independent party's written substantiation, such as a bill, of the medical expense. You can be reimbursed from your HSA without providing any such substantiation to the HSA trustee or custodian; an HSA has no "administrator." But you must maintain records of your medical expenses sufficient to show that the HSA distributions were made exclusively for qualified medical expenses and are, in turn, excludable from income.

■ FAQs

Q. What happens to my HSA if I die?

- A. Any balance remaining in your HSA becomes the property of the beneficiary who you named in your HSA trust/custodial agreement. If the beneficiary is your surviving spouse, your HSA becomes your spouse's HSA. The spouse is taxed only to the extent of the distributions from the HSA that are not used for qualifying medical expenses. If the beneficiary is a person other than a surviving spouse, as of your death, the HSA ceases to be an HSA and the beneficiary is required to include the HSA balance in his or her income.

Q. Can I participate in an HSA if my spouse has disqualifying health coverage?

- A. If you are covered by your spouse's disqualifying health coverage, such as a general-purpose FSA or non-HDHP health coverage, you cannot establish and contribute to an HSA. If the disqualifying coverage does not cover you in addition to your spouse, you may still be eligible to establish and contribute to an HSA.

■ Contact Employee Benefits Corporation

Contact Employee Benefits Corporation if you have any questions about your BESTflex Plan.

Email: www.participantservices.com

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We make it easy.

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