UPMC Consumer *Advantage* health savings account

A great way to pay for your health care — and save for the future

UPMC Consumer *Advantage*®

Paying for your medical care no longer has to involve solely an old-style plan with copayments, deductibles, and the like. In fact, there's a way you can save for medical expenses — and cut your taxes too — even when you change jobs or health plans!

No wonder a health savings account (HSA) linked to a qualified high-deductible health plan is so popular. A UPMC Consumer *Advantage* HSA lets you save, invest, and spend funds for qualified medical expenses in a way that can lower your income taxes as well. HSA dollars that you put aside but don't use rollover from year to year, making HSAs a convenient, easy way to cover future medical expenses. Here's why:

- **You won't pay taxes** (in most states) on deposits to your HSA, earnings on your account, or payments for qualified medical expenses.
- **It's your choice** to save for future health care expenses or pay for current ones.
- **Your HSA funds are yours** even if you change health plans, change employers, or retire.

Why should I participate?

A UPMC Consumer *Advantage* HSA offers many features:

Tax advantages

- Contributions made through payroll deposits use pretax dollars, exempting them from federal or state income tax (for most states).
- Contributions to your HSA that do not use pretax dollars can be deducted from your gross income, meaning you pay less income tax at the end of the year.
- The interest you earn on your HSA balance is not subject to federal income tax or state income tax (for most states).
- Withdrawals from your HSA for qualified medical expenses are not subject to federal income tax. As long as you use your HSA funds for qualified medical expenses, you will not have to pay federal income tax (for most states).

**Tax benefits apply when all applicable rules governing HSAs are met. For more information regarding these rules, see Publication 502 at www.irs.gov/irb/2004-02_IRB/ar09.html#d0e1695. This document is for informational purposes only and should not be construed as legal or tax advice. Health savings accounts are subject to all applicable laws and regulations, including, but not limited to, the Internal Revenue Code. Restrictions and limitations may apply.*

Flexibility
There are no "use it or lose it" rules — the money is yours. It grows and remains with you, even when you change medical plans, change employers, or retire. Even if you are no longer eligible to contribute, you can still use funds in your account to pay for qualified medical expenses, tax-free.

Earning opportunities
Unused funds can grow through interest and investment earnings and be saved for future qualified medical expenses.

Contributions from multiple sources
As long as you are covered by a qualified high-deductible health plan, you, your employer, family members, or anyone else may contribute to your HSA up to the maximum annual contribution limit.

How an HSA works

If you enroll in a qualified high-deductible health plan and meet other IRS criteria, you may open and contribute to an HSA.

You can use your HSA funds to pay for qualified health care expenses, including copays, deductibles, and coinsurance. You can also apply the funds in your account to other nonmedical expenses, but the money you use then becomes taxable as income, and you also pay a 20 percent penalty if you are under age 65.

Funds remaining in your account at the end of the year rollover and accumulate for your future qualified medical expenses. You may choose not to spend your HSA dollars, leaving them to grow for the future. Choosing which qualified medical expenses to pay with your HSA dollars is entirely up to you.

NOTE: A complete list of eligible HSA expenses is available in IRS Publication 502 at www.irs.gov.

You are eligible to open and contribute to an HSA if you meet the following requirements:

- You are covered by a qualified high-deductible health plan.
- You are not covered by another health care plan, such as a health plan sponsored by your spouse's employer, including a general purpose flexible spending account (FSA), Medicare, or TRICARE.
- You are not enrolled in a general purpose flexible spending account.
- You or your spouse are not claimed as a dependent on another individual's tax return.
- You are not receiving or have received Veteran's Administration (VA) medical or hospital benefits for a service-connected disability.

You are still eligible if you:

- Have certain limited coverage approved by the IRS (for example, dental, vision, and long-term care insurance).
- Are entitled to benefits under an employee assistance plan (EAP), disease management, or wellness program or have a discount card for prescriptions.

If you no longer participate in a QHDHP or enroll in Medicare, you can no longer make or receive HSA contributions, but you can still use any HSA funds that you have accumulated.

Contributing to your HSA

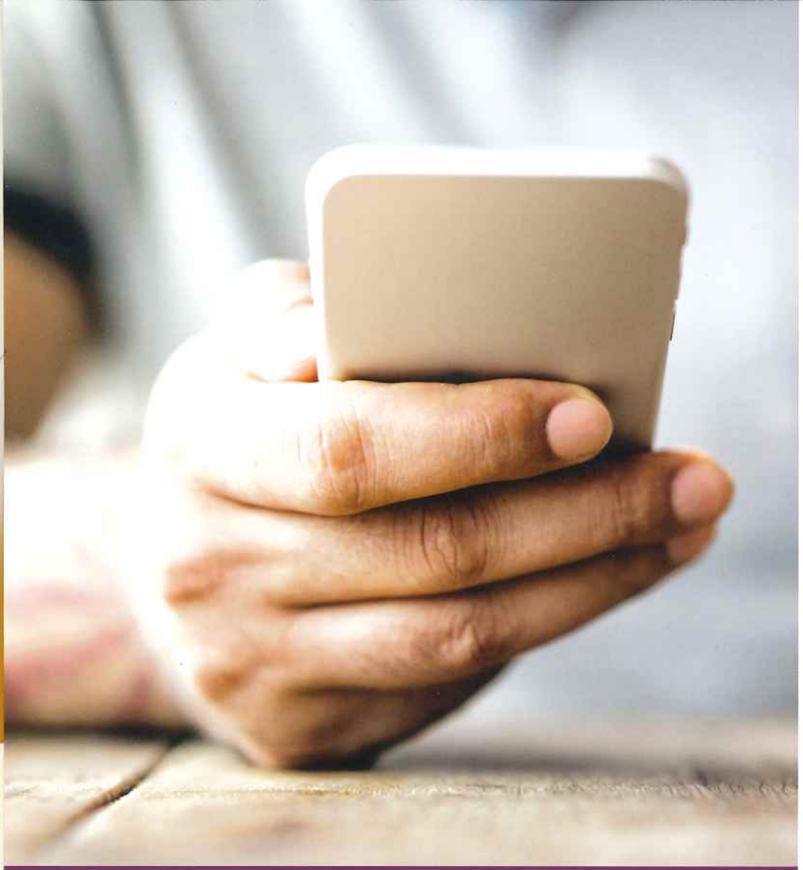
As long as you are covered by a qualified high-deductible health plan, you, your employer, family members, or anyone else may contribute to your HSA up to the maximum annual contribution limit.

All of the money deposited into your HSA, up to the maximum annual contribution limit, is protected from federal income tax, FICA tax, and state income tax in most states.

You can make tax-free contributions to your HSA through:

- Pretax payroll deductions.
- Transfer of funds from your checking or personal savings account.
- A rollover or transfer from an existing HSA or individual retirement account (IRA).

If you are 55 or older, you may make an additional "catch-up" contribution. The maximum annual catch-up contribution is currently $1,000.



To learn more about the benefits of a UPMC Consumer *Advantage* HSA, visit www.upmchealthplan.com, or call 1-855-492-8762.

You can contribute up to the maximum annual contribution at any time until the deadline for filing your income tax return (generally April 15 of the following year for calendar year taxpayers). Your employer may contribute to your account as well; while you cannot take a deduction for the employer contributions, they are excluded from your gross income. Employer contributions also count toward the maximum annual contribution.

Using the funds in your HSA

The most convenient way to pay for eligible health care expenses with HSA funds is with a UPMC Consumer *Advantage* debit card. You can also pay for your expenses through online or mobile distribution requests, which also are fast and easy to do.

An HSA has no "use it or lose it" rule. Any unused funds remain in the account and continue to accrue interest until you use them.

Investing HSA funds to boost your savings

As long as you keep a designated minimum balance in your HSA, you can shift excess funds into a higher-interest account. For example, you can move your money into a mutual fund that provides tax-free earnings.

UPMC Consumer *Advantage* HSAs offer an integrated investment platform. You can open investments online once your HSA balance reaches $1,000. They even allow you to set up an automatic sweep of available cash into your investment account(s).

When you need those investment dollars for health care expenses, you can return them to your original HSA account without penalty.

Manage your HSA online or via mobile app

It's easy to access your UPMC Consumer *Advantage* HSA 24/7 through a secure online account. The UPMC Consumer *Advantage* website allows you to:

- Request disbursements online to yourself or directly to a provider.
- Track expenses.
- View account balances.
- View your account activity, contribution and distribution history.
- Report a lost or stolen card.

In addition, our mobile app allows you to do all of these things instantly when you're on the go.

Using your HSA in retirement

At age 65 and older, if you use your funds for qualified health care expenses, the distributions from your account remain tax-free. However, if you use the funds for nonqualified expenses, the distributions become taxable, but you are exempt from the 20 percent penalty once you've reached that age. If you enroll in Medicare, you are no longer eligible to contribute to your HSA. If you reach age 65 or become disabled but do not enroll in Medicare, you may still contribute to your HSA as long as you remain enrolled in your QHDHP.

Managing more than one HSA

If you already have an HSA at another institution and you'd like UPMC Consumer *Advantage* to be your primary HSA account, you have options:

- You can keep your HSAs open with each custodian. This is no different from having multiple personal savings accounts at different banks. However, this does not give you any additional tax advantages because the total contributions to your accounts cannot exceed the annual maximum contribution limit.
  - Some HSA custodians may begin assessing monthly maintenance fees when they are no longer the *primary* HSA custodian with the insurance carrier or accountholder. They commonly call them administrative fees.
- You can rollover your HSA balance by requesting a distribution from your previous HSA. The funds you withdraw from your previous HSA must be deposited into the UPMC Consumer *Advantage* HSA within 60 days of receipt. The amount withdrawn must be the same amount deposited to qualify as an HSA rollover.
  - IRS Notice 2004-50 requires that you make only one rollover contribution to an HSA during a one-year period. Twelve months must pass after receipt of one rollover distribution before you can make another rollover distribution from the same HSA.
- You can transfer your HSA balance. Transferring custodians will issue the transfer within 10 banking days of the request. The entire process can take 3-6 weeks until funds are available.
  - Always check with your current trustee/custodian to determine if any additional information is needed to begin the transfer. Some trustees/custodians require you to liquidate your investment assets before transfer.
  - There is no limit on the number of transfers you can make in a year; however, typically fees apply.

	Rollover	**Transfer**
Generally	A rollover involves depositing funds from one HSA, IRA, or MSA into another HSA via a check written by you from your current HSA or your personal checking account.	A trustee-to-trustee transfer involves the direct movement of funds from your current HSA by the trustee of that HSA.
Permitted Frequency	One rollover per year per HSA.	Unlimited.
Tax Reporting	The current HSA custodian will report the rollover on IRS Form 5498-SA. The transferring HSA custodian is not required to report the rollover but will report the distribution on Form 1099-SA.	None required.
Fees	Usually no fees associated.	Generally a fee of $25 or similar.

Be sure to check with your current HSA custodian or administrator for any fees associated with your HSA account.

Frequently asked questions

What are some common qualified health care expenses?
Prescriptions, doctor and dentist visits, eyeglasses, contacts, eye exams, and medical supplies, such as bandages, wraps, and crutches.

Can I invest my funds to boost my savings?
Yes, once your HSA balance is greater than $1,000, you may shift excess funds into a high-interest investment account, such as a mutual fund that provides tax-free earnings.

When I retire, can I keep using my HSA funds to pay for qualified health care expenses?
Yes, and those distributions from your account remain tax-free. However, if you use the funds for nonqualified expenses, the distribution becomes taxable, but you'll be exempt from the 20 percent penalty if you are 65 or older.

Where are the funds held?
In an HSA deposit account. With UPMC Consumer *Advantage* HSAs, UPMC Benefit Management Services has contracted with Healthcare Bank, a division of Bell State Bank and Trust to act as a custodian for HSA accounts administered by UPMC Benefit Management Services.

As with a flexible spending account, can I use the entire amount at the beginning of the plan year before I contribute the full amount to it?
No. You can only use funds as they appear in your account.

Can I be covered by an HSA and FSA?
Generally, you are not eligible for an HSA if you have a general purpose FSA. However, you may be enrolled in a limited purpose FSA and be eligible for an HSA. You can use a limited purpose FSA for vision and dental expenses not covered by your qualified high-deductible health plan, such as the following:

- Glasses
- Frames

- Contacts
- Prescription sunglasses
- Vision copayments
- Optometrists or ophthalmologist fees
- Corrective eye surgery
- Dental care
- Braces
- X-rays
- Fillings
- Dentures

How does an HSA differ from a savings account?
While you have no restrictions on how you use funds in a regular savings account, you do not receive the tax advantages an HSA provides.

Can my spouse and I have a joint HSA, like our regular checking account?
No, only one person can own the HSA. If both you and your spouse have qualified high-deductible health plan coverage, you must each have your own HSA.

May I have more than one HSA?
Yes, you may have more than one HSA, and you may contribute to them all. However, you don't gain any additional tax advantages with this approach because your total contributions across all accounts still cannot exceed the annual maximum contribution limit. Keep in mind that contributions from your employer, family members, or anyone else also are included when determining your total contributions.

Will I receive a checkbook with my UPMC Consumer *Advantage* HSA?
No. Instead, you will use your UPMC Consumer *Advantage* debit card for purchases at the point of sale. You can also request distributions to yourself or directly to a provider from the UPMC Consumer *Advantage* website or mobile app.

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HSA OVERVIEW BR 16OP0077 (MCG) 4/21/16 1.5M SS
REPRINT 8/12/16 5M KP