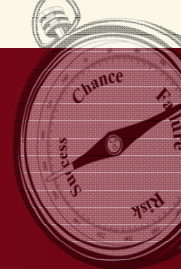


Employees Enrolled in QHDHP Who Are Planning to Elect Social Security Benefits and/or Enroll in Medicare



This notice is for employees approaching age 65 who are enrolled in the Qualified High Deductible Health Plan (“QHDHP”) with a Health Savings Account (“HSA”), and who are planning to elect Social Security Benefits or who will be retiring and enrolling in Medicare.

Planning to elect Social Security Benefits?

Electing social security benefits beyond age 65 automatically enrolls you in Medicare Part A and a retroactive Part A coverage period is initiated. This retroactive Part A coverage period can go back six (6) months or until your 65th birthday, whichever is the shorter period.

This causes a problem because one of the eligibility requirements for making contributions to your HSA is that you have no other health care coverage. This retroactive Medicare Part A coverage, like all Medicare coverage, is “other health care coverage” that would render you ineligible to make contributions to your HSA.

In order to avoid this problem, when you are electing your Social Security Benefits after age 65, you should cease your HSA contributions at least six (6) months prior to your election. Doing so will ensure that there are no HSA contributions made during a time of potential retroactive Part A coverage.

Planning to Retire and Enroll in Medicare?

If you are planning to retire and enroll in Medicare after you have reached age 65, you will be faced with the same retroactive Part A coverage issue outlined above.

In order to avoid any improper contributions to your HSA, you should cease contributions at least six (6) months prior to enrolling in Medicare when you are enrolling past age 65.

Keep in mind that the above scenarios apply only to you, the HSA account holder, and not your spouse. Also, the above deals only with making contributions to your HSA under these circumstances. This does not impact your HSA fund balance or your ability to spend those funds on eligible medical expenses.

If there are any questions or concerns, please discuss your individual situation with your tax professional.