HOW IS THE HSA DIFFERENT FROM AN FSA?

<table>
<thead>
<tr>
<th></th>
<th>FSA</th>
<th>HSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Annual Contribution</td>
<td>$2,750 in 2020 (FY21 plan year)</td>
<td>$3,550 (single)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$7,100 (family) for 2020 (plus an additional $1,000 if age 55 or older)</td>
</tr>
<tr>
<td>Eligibility Requirements</td>
<td>Benefits Eligible Employees</td>
<td>Must have a qualifying high deductible plan (minimum $1,400+ single / $2,800+ family) with no other coverage that is not a qualifying high deductible plan</td>
</tr>
<tr>
<td>Tax Treatment</td>
<td>Tax-free</td>
<td>Tax-free when used for qualified medical expenses. 20% distribution penalty when used for non-medical expense under age 65</td>
</tr>
<tr>
<td>Medical Expenses Allowed</td>
<td>IRC 213(d) Expenses; but no Personal Health Insurance</td>
<td>IRC 213(d) Expenses COBRA, qualified long-term care, and Medicare premiums</td>
</tr>
<tr>
<td>Use for Non-Medical Expenses</td>
<td>None</td>
<td>None, except after age 65 with no penalty, taxed as ordinary income</td>
</tr>
<tr>
<td>Carryover of Unused Funds to Next Year</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Investment Options</td>
<td>No</td>
<td>Yes, can invest in index and mutual funds when cash account balance is at least $1,000</td>
</tr>
<tr>
<td>Portable after Termination</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Administrator</td>
<td>ASIFlex</td>
<td>Employee/Bank of America</td>
</tr>
</tbody>
</table>

UNDERSTANDING THE HSA

Your HSA can be used to pay your eligible medical expenses as long as there are funds available in your account.
You can use HSA funds for your CDHP deductible ($1,500 Individual, $3,000 Family), and other qualifying expenses.

If you use all of your HSA funds, you then pay the rest of the deductible and other expenses out of your own pocket.
You can also pay these expenses out of pocket and save your HSA for future use.
The choice is yours.
Any HSA funds not used roll into the future.

Once you have met your deductible, you and the University share expenses.
Your share is called 'coinsurance.'
For your protection, there is a limit on how much you must pay out of your own pocket.
This is called the out-of-pocket maximum.

When to use your HSA is up to you. You will receive a debit card to help pay expenses, or you can use the online feature to pay your provider from your account or request a reimbursement for yourself.

Once you accumulate sufficient funds (at least $1,000), you can direct any additional contributions to the investment account so your HSA can grow for the future, even into retirement.

See other side for frequently asked questions about the HSA.
FREQUENTLY ASKED QUESTIONS

What is a Health Savings Account?
An HSA is a personal health care bank account that can be used to pay qualified medical expenses with pre-tax dollars when you are enrolled in a qualified health plan.

Who is eligible to set up and contribute to an HSA?
Because HSA plans have special tax advantages, the IRS defines specific rules on participation.

To be eligible to contribute toward a Health Savings Account, the IRS requires that individuals:
- Must be enrolled in a qualified high deductible health plan
- Cannot have any other health coverage
  - Not covered by spouse’s medical or pharmacy plan that is not a qualified high deductible health plan
  - Not covered by Tricare
  - Not covered through Medicare Part A or Part B
  - Have not received Veterans Administration Benefits
- Not covered through a general-purpose Flexible Spending Account (FSA) plan (either employer’s or spouse’s)
- Cannot be on Social Security
- Cannot be claimed as a dependent on another person’s tax return

Employees will fund HSA accounts with either pre- or post-tax dollars. The amount in the account will be made available for use, not the elected amount. This is different from how the FSA works.

What is an aggregate family deductible?
If more than one person is covered on the plan, the individual deductible does not apply. The family must meet the entire deductible of $3,000 before any individual receives plan benefits. Each insured person’s covered medical expenses go toward meeting the family deductible.

What expenses are counted toward the out-of-pocket maximums?
Your deductible is included in the out-of-pocket maximum, as is the coinsurance (amount you pay) for covered services after you’ve met the deductible. This includes what you pay for prescription drugs. Claims for dental and vision services do not apply to the maximum.

When do I use my HSA?
Pay for qualified expenses with your Bank of America HSA debit card at the time of service or once you receive an invoice from the provider. When you use the funds in your account is up to you. You can pay out of pocket and save the HSA for a future use, or pay as you go. Remember that funds are only available as they’re deposited to your account.

What about preventive care services?
Your health plan covers preventive care such as routine physicals, screenings, and immunizations with no deductible or out-of-pocket cost to you. Because preventive care services are covered at 100%, you won’t need to use your HSA dollars for these visits/services.

In an HSA, are prescription medications considered a qualified medical expense for the HSA?
Yes. You can use your HSA funds to pay for all prescribed medication at the retail pharmacy or mail order. New in 2020: over-the-counter medication no longer requires a prescription from your provider in order to be considered a qualified expense.

How do I contribute to my HSA?
You can make pre-tax contributions through payroll deductions. Post-tax contributions can also be made from your personal bank account to Bank of America HSA. You would then report post-tax contributions on your tax return.

Is there a maximum amount I can contribute to my HSA?
Under age 55 and not enrolled in Medicare: (2020 calendar year limits)
- up to $3,550 individual coverage
- up to $7,100 family coverage

Employees age 55 or older, and not enrolled in Medicare:
- Allowed to do a $1,000 catch-up contribution
- Up to $4,550 individual coverage ($3,550 + $1,000)
- Up to $8,100 family coverage ($7,100 + $1,000)

Because the HSA limits are based on a calendar year, and University of Alaska uses a fiscal year for the health plan, there are some things to keep in mind...
- You can elect the HSA at open enrollment to start July 1 if you elect the CDHP. The amount you elect for the HSA will be your calendar year goal, through December.
- You can elect a new goal for the following year to start in January. If you make no changes, your current bi-weekly deduction and annual goal will roll to the next calendar year.
- If you establish the HSA on any date other than January 1, and elect to contribute the annual maximum in that calendar year, you must meet the following:
  - Meet all requirements to be eligible for HSA contributions, and
  - Remain qualified through December 1, and
  - Remain qualified through the following December 31 (this is called the testing period)

If these criteria are not met, the employee’s maximum contribution is pro-rated at 1/12 maximum contribution for each month the individual is qualified.

A worksheet on Form 8889 can be used. Excess contributions are taxable to the employee and reported on the following year’s tax return.

Can I have both an HSA and an FSA in the same year?
You can enroll in the HSA and Dependent Care FSA, which allows you to pay for qualified medical expenses with HSA funds and child or adult dependent daycare expenses that are necessary to allow you or your spouse to work or your spouse to attend school full time with your Dependent Care FSA. You cannot enroll in both the HSA and Health Care FSA.

What happens to my HSA if I leave University of Alaska?
Your HSA is portable. This means when you leave University of Alaska for any reason, the funds remain your dollars to keep. The HSA becomes an individual account. You may have additional account fees after you are no longer with the university. You can no longer contribute to the HSA (unless you are covered through an HSA-qualified plan and remain eligible). You can continue using the HSA funds for qualified health care expenses or COBRA premiums for you or your qualified dependents.

Is there a “use it or lose it rule” with the HSA?
No. If you have funds remaining in your account at the end of the year, those funds will stay in your account and be available to use in the future. HSA funds are never forfeited.